Economic History: An Endangered Discipline

The dominant paradigm guiding research in economic history held that the market-oriented policies of British colonial rule led India to underdevelopment and poverty. In the past, the idea appealed to economists because it provided independent India's pursuit of socialist policies with an ideological basis. After the return to market in the 1990s, the compatibility between history and policy was undermined leading to progressive irrelevance of history. In order to restore the link between history and economics, we need to replace narratives centred on colonial power with narratives that take structural features, especially resource-endowments, more seriously.

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Economic history is about preconditions for economic growth. It acquires vitality by maintaining a symbiotic relationship with economics. In India, economists did generally believe in the relevance of history during the socialist era that lasted between 1950 and 1990. History was a visible and respectable part of the economics profession then, and historians and economists frequently took part in discussing economic development in the same forums. From the early 1990s, however, the field of study has been in decline. A decade into the post-socialist market-oriented regime, the field has no more than a marginal presence in economics teaching and research in Indian universities and research institutes.

What accounts for the obsolescence of economic history today? My answer is that, at least in part, the decline stems from a confusion and crisis within economic history scholarship. In the next four sections of this essay, I present a brief description of the received historiography and a diagnosis of what went wrong with it. The following two sections outline a perspective that enables asking new research questions.

Until the 1980s, social science researchers across disciplinary boundaries believed that by answering key questions about the past, they understood and accounted for the present better, and thereby acquired a better sense of where they were headed. It was not uncommon then for economic policy forums to invite historians, or history seminars to invite economists. An outburst of seminars and conferences in that decade sponsored by a rather spendthrift regime helped this 'public sphere' flourish. Research institutes and departments of economics and history in major universities encouraged economic history research, and produced several world-class dissertations in the subject. Major centres of postgraduate economics teaching introduced and strengthened economic history courses.

Little more than a decade later, the dynamism is gone. The public sphere is dead. Hardly any worthwhile dialogue takes place among historians about economics or among economists about history. Contact between Indian scholarship and global scholarship in economic history is weak. For some time past, few important original monographs in economic history appeared from the Indian academia, few articles were published in international journals, and promising fresh doctoral theses were wholly rare. In undergraduate economics teaching, history maintains a token presence. In postgraduate economics teaching, the courses developed in the late-1980s are desperately in want of teachers and motivation. No less than the Delhi School of Economics, possibly the best school of economic history teaching and research in the 1980s, faces desolation and an end to its tryst with economic history.

In the job market, economic history is not a saleable specialisation any more. Today, a job-seeker in economics with history as specialisation is doubly vulnerable, for there are few jobs that might want her, and the specialisation sends out a negative signal to the selection committees about the skills and aptitude of the candidate. With infusion of fresh minds down, the field, or what remains of it, consists of a disproportionate number of scholars who are on the threshold of retirement from productive scholarship. A fresh graduate student in economics cannot be blamed for feeling discouraged by what is often perceived as a geriatric intellectual world.

The decay of economic history within India is brought in sharper focus by a resurgence of economic history within mainstream economics worldwide. The 1993 Nobel Prize awarded to two economic historians marked in some sense the arrival of history at the centre of modern economic-theoretical reasoning. Since then, the bond has strengthened via a whole lot of conceptual routes – institutions; environment and resource economics; technological change; demography; evolutionary economics; path-dependence, 'lock-in' and the limits of neoclassical tools in predicting technological trajectories; increasing returns and theories of economic growth, and others. There is greater awareness now than ever before that economic growth is more than a matter of pushing investment rates. Rather it depends on variables – quantity and quality of education, for example – which require a long time to take effect. And when these take effect, these do not respond quickly to short-term policy stimuli. In India where some of these drawn-out variables have had significant influence, positive or negative, there is decreasing awareness about how history matters to present-day realities. Economic historians of India have failed to persuade the present generation of economists that their craft has relevance for the latter.

Paradoxically, the decay of economic history scholarship can be seen as the sign of an extraordinary success or of an extraordinary failure for that generation of scholars which, until recently, taught this subject in major universities and played leadership role in research. Indeed, this generation – that I shall loosely call the 'old school' – succeeded in becoming the economic history establishment. The establishment reinforced a particular theory of Indian economic history, and a particular paradigm of research. Its success can be measured not in terms of how well the theory was validated, but that of its political effectiveness. It became effective because this theory of history built a strong bridge between academic research on the one hand, and two types of world-view on the other. One of these guided India's economic policies until about 1990. The other guided, and still guides, the layman's concept of history. Dissenting with such a paradigm was not easy, for dissent amounted to being politically incorrect. With dissent made difficult, this historiography lost that capacity to tolerate nonconformity within itself which gives any discipline its ability to inspire innovations, questions, and critique. When this paradigm faced a problem of irrelevance, as well as problems of validation, in more recent times, it had already exhausted its capacity to respond in creative and convincing manner.

I am suggesting, then, that the decline of economic history is a failing of the established paradigm of modern Indian history. In the next three sections, I present a brief description of the old school historiography and a diagnosis of what went wrong with it.

The History of Power

In the 1970s and the 1980s, a specifically postcolonial cocktail of Marxist political economy and nationalist anticolonial sentiments inspired narratives of growth or decline in modern south Asia. Exploitative political relationships initiated or sustained by colonialism were believed to have manipulated economic transactions across the board in the 19th and the early 20th century, with the result that potentially beneficial economic changes such as commercialisation yielded limited growth and deepened inequality.

The key stylised fact that the old school was trying to explain was the poor rate of growth of average income in colonial India. This stylised fact needs a few qualifications. India's economic growth did not compare badly with world average in the late-19th century. According to the best estimates that we have, between 1865 and 1914, agricultural income in India grew at an average rate of a little over 1 per cent per year. The most rapidly growing economies of the time experienced agricultural growth in the range 1.5-2.5 per cent. But growth rates slowed dramatically in the interwar period.[1] National income statistics captures the slowdown phase better than the earlier growth phase. This observation bias feeds the impression that the colonial period saw unbroken deep economic stagnation. In fact, what we really need to explain is a dramatic shift in trend about 1920. There is also some dispute over whether or not the slowdown was generated by the statistical system, which theme we need not enter now. Finally, the slowdown did not touch industry and services, but was heavily concentrated in foodgrain production. Assuming, for the moment, the stagnation was real and general, how do we explain it?

The old school thesis was that the poor rate of growth was manmade. Colonial policies and the market economy that emerged repressed Indian growth potentials. This approach held that the Indian economy on the eve of colonialism had the potentials to experience rapid economic growth, but these potentials were destroyed by colonialism. It believed in a broad identity of interest between colonialism and the local economic elite, and held that alliance responsible for retardation of the Indian economy in the colonial period.

This broad thesis was based on five subtheses, each in effect arguing some form of classical market failure deriving from power (political or economic) and risks.[2] The first of these concerned external transactions. Colonialism facilitated integration of India in world capitalism in a 'subservient' position, imposing both 'unequal exchange' on the private account, and 'drain' on the government account. The second thesis offered an argument that the social surplus went to the wrong hands. The best-known version of this argument is 'forced commercialisation' which suggested that peasants, when shifting from subsistence to market, fell into domination by monopolistic moneylenders who were averse to productive investments. The third thesis can be called 'perilous commercialisation', the idea that the shift from food to nonfood crops induced by market incentives intensified famines and insecurity. The fourth thesis was 'de-industrialisation', the proposition that industrialisation in Britain imposed large uncompensated costs upon India in the form of a decline in traditional industry. The fifth sub-thesis was a position on the public goods. The railways and the telegraph were seen as exploitative because they were introduced to aid imperial defence or foreign capital.

In the 1950s and the 1960s, the old school corpus consisted of a few isolated monographs written from nationalist or Marxist points of view. Jawaharlal Nehru's own passion-laden historical writings formed a central part of this corpus. From the 1970s, the old school flourished by drawing on a more global discourse, theories of underdevelopment. The argument here, popularised by André Gunder Frank and his followers, was that economic policies and processes that created growth in one part of the world created underdevelopment in another. Colonial India seemed to furnish two important examples. Markets were immiserising, and the government invested too little in economic development. Both these features were explained in terms of political economy. 'Free' markets were imposed on India to suit British business interests. The philosophy of the minimalist state, on the other hand, served British political interests.

The old school faced its first serious challenge in 1963 when Morris D Morris proposed a radically different view of 19th century Indian development.[3] The main message was that economic growth in 19th century India was constrained by productive capacity rather than by politics. The implication was, the growth rate in average income was not 'manmade', but the 'natural rate' set by structural factors.

Empirical research and new datasets too disputed several premises of the old school. Markets impoverished the Indian economy (and enriched Britain) is at best a half-truth. Irrespective of political status, British and Indian fortunes were complementary rather than contradictory. GDP growth rates in the two countries moved broadly in the same direction. Both were relatively high in the last quarter of the 19th century, and decelerated in the interwar period. Commercialisation had a positive correlation with productivity growth. The vision of moneylender power in forced commercialisation was a fiction. The thesis of perilous commercialisation exaggerated the shift in cropping pattern, presumed knowledge about intensity of famines in precolonial period, and underplayed the ecological/climatic origin of famines. Deindustrialisation was an inapt description for a region where millions of artisans not only continued in business, but also saw rise in output per worker. The uses and benefits of public goods such as the railways or the telegraph were not restricted to ethnic groups. 'Drain' was hard to define, and harder to measure. The best measures yield figures too small in relation to national income to bear a theory of underdevelopment. And finally, the orthodox diagnosis of why investment rates were low in British India missed an important point. The real issue was not public investment, which followed (with a few exceptions) a philosophy of restraint the world over until the advent of Keynesian economics. The issue was *private* investment, which was unusually low in colonial India, an aspect neglected in the old school historiography.

Despite its problems, the paradigm of power and market failure remained dominant until almost the end of the 1980s. Thereafter, an intellectual paralysis began to set in, from external and internal causes. To understand the nature of the crisis, we need to understand first the peculiar appeal of the paradigm.

The Power of History

'Studying a Colonial Economy without Perceiving Colonialism', is the title of an article by Irfan Habib, published in the Cambridge journal *Modern Asian Studies* in 1985. Habib, the eminent historian of medieval India, was reviewing the *Cambridge Economic History of India. 1757-1947* published two years earlier. The volume, an impressive scholarly enterprise that in a way marked the arrival of economic history of colonial India in world history scholarship, avoided projecting any historiographic orientation, at a time when the historiography of colonial India was keenly debated. The point of the deprecatory title of Habib's article was that it had failed on that very ground. By remaining deliberately 'neutral', it had refused to acknowledge the obvious: that the Indian economy under British rule was shaped above all by colonial power. By this refusal, the volume seemed to side with a revisionist position that considered imperialism to be a benign or not-so-relevant factor in the region's economic history.

Within the Indian academia, the *Cambridge Economic History* was long regarded somewhat in this light. That the colonial state should be the centre of modern Indian economic history was a position more or less universally held. The paradigm involved overturning an imperialist belief that the empire heralded development in India. Significantly, Karl Marx shared that belief with many of his contemporaries, but observed that development came with a cost. Twentieth century writers inspired by Marx's writings saw in these costs the origins of underdevelopment, and the enduring link between colonialism and underdevelopment.

These ideas inspired public policy. The belief in politically induced market failure served as a strong link between the past and the present in the Nehruvian era. Economists and historians both invested 'market failure' with foundational status in their respective analytical systems. Economists and historians agreed that markets and the open economy were instruments that needed to be restrained, if used at all. Historians thereby gave meaning to a regime that intervened heavily to restrain market forces and international relations.

The raw appeal of this discourse was tremendous. Shifting the blame on the British had a reassuring message to politicians on both the right and the left. Historiography, in other words, supported the political establishment. The ruling historiography, furthermore, was singularly compatible with the ruling economic sentiment that upheld an insular and state-dominated development strategy. It easily bridged the past with the present, and the past with the philosophy of 'self-reliance'. Historians and economists could communicate in the public sphere mentioned before. Economic history of modern India, in other words, became largely a discourse of impairment, inflicted in the past by colonial policies of free trade, and redressed in the present by a strategy that was emphatically isolationist and interventionist.

The old school, moreover, epitomised the way the nation felt about its past. That colonialism ruined a prosperous India was not merely a textbook idea, it pervaded popular discourse and imagery about the past. It found expression in fiction and films. 'Bollywood' introduced variety in its routine by occasionally substituting the despotic landlord with the characteristically evil white officer. It found expression in the zealous drive to change colonial names of British-built landmarks into names of obscure Indian heroes and other ideological icons. Dissenting with the political economy paradigm was not easy precisely because dissent amounted to being politically incorrect or to pitting reason against sentiment. The nation learnt from its politicians that British rule was a bad dream to be forgotten. Economic historians nourished that amnesia with their models and methods. It thus came about that in the manner in which the average Indian conceived of British India, two elements, in principle quite distinct, tended to get mixed up: reaction to political unfreedom and an explanation of mass poverty.

From the mid-1980s, this remarkable concurrence of history, policy, and emotion began to reach an impasse.

The Impasse

During the 1980s, a crisis was unfolding within this historiography. Research showed how difficult it was to fit numerous local experiences with an overarching model of exploitation, stagnation, and inequality. The main predictions and methods of the orthodoxy came up for serious questioning. The neutral stance of the *Cambridge Economic History* did, in fact, symbolise that sense of disquiet with it.

Soon after, economists began to change their minds about the foundational status of market failure. Faith in an all-powerful state declined too. The realisation dawned that political freedom, in the absence of market freedom, was not necessarily effective in attaining growth and reduction in mass poverty. With the obsolescence of political economy in the new regime, economic history itself faced obsolescence. Since the end of Nehruvian socialism and the return of economic liberalism in the academia, the pro-market sentiments of economics and the anti-market sentiments of orthodox economic history made the two fields and their languages drift apart. There was no immediate impact of these shifts on economic history research within India, which continued along the imperialism-underdevelopment axis. The belief that British rule created misery persisted in amateur history. But these stances increasingly looked dated and disoriented as economists went back to the ideal of freedom of market. In short, they went back, albeit in a qualified way, to precisely those tenets of the classical political economy on which British economic policy in India had been founded.

If history was at risk of being outdated in economics, economics was facing obsolescence in history. With the rise of postmodernism and its offspring postcolonialism, 'power' detached itself from class relations and made knowledge its new habitat. An entire generation of historians repositioned their worldviews from political economy to cultural domination, retaining through this change, belief in the centrality of power. The new faith was deeply, instinctively, historical. And yet, economics had no clearly defined role in it, economic questions even troubled it, and were eventually shut out of it.

By the late-1990s, the political economy paradigm had evidently failed, with no alternative in sight. Today, the Marxist historian and the reformist economist will not be able to hold a dialogue. Economic history that holds the raj responsible for slowing India with its market-oriented policies has lost its political purpose and its contemporary relevance. The idea that free trade and a non-interventionist government – the tenets of the economic philosophy of imperialism in India – were responsible for underdevelopment would appear outlandish to intellects trying to rescue freer trade and non-interventionist government out of the ashes of a failed socialist experiment.

To end the impasse, we need a different historiography. What form might it take?

Way Forward

Can there be a narrative of economic history of India that explains the past, elucidates the present, aids public policy, and does not become outlandish at the same time? From what I said above about the hazards of a state-centred history, the question can be rephrased in this way. Can there be a narrative that does, in Irfan Habib's words, 'study a colonial economy without perceiving colonialism', or not at any rate according colonial power a predetermined sanctity in the conceptual framework?

My belief is that such a narrative can emerge, by shifting the centre of economic history from a preoccupation with politics and politically induced market failure, to economic structure. By 'structure' I mean essentially the character of the resource-endowment pattern. Since this pattern did not necessarily change at 1947, in effect I am arguing for a perspective that is sensitive to a great deal of continuity in the economic conditions before and after 1947. By contrast, the imperialism fetish of the old school would imply that 1947 marked in some sense the end of 'history', and the birth of 'modernity'.

That is not to say that the state did not matter to economic history. The state matters to any discourse of long-term economic change. But to understand the significance of policy, we need to be sensitive to the interaction between economic structure and the state, as well as to the substantial autonomy of these two domains.

Until quite recently, most economic history research in India was conducted within a paradigm that saw development and underdevelopment, industrialisation and deindustrialisation, as two sides of the same coin. According to this informal consensus, markets and institutions built under the colonial situation retarded India and enriched Britain. Indian society and economy without colonialism, in this view, was capable of doing better than it actually did. Economic backwardness was identified with low levels of mechanised industry, a formulation that pervaded both Indian nationalist thought as well as leftist historiography.

A useful starting point for a rethinking of India's economic history would be to acknowledge that development and underdevelopment were not necessarily two sides of the same coin. Rather, Britain and India in the 19th century were two different coins. They were influenced by global factors and by mutual interaction, but also by their distinctness. To expect India to have followed the same path as Britain but for some external shock like colonisation smacks of a questionable teleology.

The difference that seems to matter above all is resource endowments. India in 1800 or 1900, and south Asia as a region as late as in 2000, shared a common feature: an abundance of poorly equipped labour engaged in occupations subject to high climatic risks. Producers and consumers in colonial and postcolonial India responded to this situation by focusing on labour-intensive methods of production and by a time-preference, as well as a preference for safe but low-return investment.

These two features constitute what I call 'structure' here. These were the relatively slow-moving ingredients in the growth story. Combine these structural features with a historical one – in a whole range of ways colonialism aided the integration of India in the 19th century industrial-commercial revolution – and we begin to form an idea of an alternative vision of economic history with markets, resources, and risks at its centre. Policies and ideologies were obviously important, but their significance is better understood in relation to these fundamental structural-historical features.

The central thesis that emerges out of this perspective is a simple one. It is that, markets and market-aided opportunities for resource-reallocation created prospects of growth in real wages and earnings, but diminishing returns to labour and conditions of risk constrained growth in wages and earnings.[4] Let me elaborate.

The colonial period saw extension of market transactions. Between the early-19th century and the onset of the first world war, the demand for food and raw material from industrialising Europe increased manifold. Peasants and merchants in India responded to these opportunities. Production for export increased, international capital movements grew rapidly, and within India, institutions and infrastructure necessary for a market economy to smoothly function were set up. These included uniform weights and measures, contract law, uniform currency system, the railways, the telegraph, and a judiciary committed to defending private property rights.

The old school historiography has tended to see colonial market transactions as usually inequality-breeding or polarising. Market transactions, in this view, were largely a tool in the hands of the rich trying to gain a bigger share of a fixed amount of output. The 'forced commercialisation' thesis models this perspective formally. Indeed such outcomes could occur when the transacting parties were socially or politically unequal. However, such situations arose in particular contexts. Equally often, commercialisation induced search for new resources, better allocation of resources, and attempts to break the barrier of limited land or capital by efficient utilisation of scarce resources. In a qualified way, the relevance of Adam Smith remains valid in analysing Indian economic history. Migration of labour and enterprise represent these attempts at efficiency improvements.

There was a great deal of reallocation of labour away from settled agriculture and handicrafts to new lands and new occupations such as plantations, mines, public works, new agricultural zones, and migration overseas. Large streams of migration began from the mid-19th century, aided by the railways and the telegraph after 1850, to facilitate this huge reallocation of labour. The received interpretation of colonialism tends to see this process as one of displacement or a distress-induced movement. More realistically, the reallocations reflected the increasing marketisation of labour, segmented nature of the labour market, growth of labour demand in some of these segments, and perhaps even an expansion in overall labour demand in the 19th century. Real wage trends in the modern sectors testify to this growth in demand. In agriculture, reallocation of labour and periodic land-augmenting investments can largely explain spurts of growth in output, wages, and its regional spread. Public investment in irrigation and communications extended the production frontier and brought down costs of reallocation.

In short, colonial India experienced a growth process sustained by the quantity of land, quantity of labour, increasing market transactions in products and labour, and movements of resources between alternative uses. That being said, surplus land began to run out of supply in the region about the end of the 19th century. Thereafter, economic growth has had to contend with relentless land shortage. Meeting this challenge took different forms historically. Canal irrigation had pushed back the land frontier in parts of northern and southern India between approximately 1880 and 1920. In the 1970s, and 1980s again, 'land-saving' innovations such as seeds and fertilisers partially broke through land scarcity. In the late-20th century, exploitation of common resources such as water, forests, and pastures emerged as an insidious form of response to the impending land barrier. It is also noteworthy that for a very long interregnum – 1920 to 1970 almost – creative responses to land scarcity remained weak, and peasant incomes and wages almost stagnant. This period of inertia came to an end with a green revolution in some regions, and an eruption of violent rural unrest and political reconfiguration in some other regions.

Somewhat akin to labour-reallocations in agriculture, in small-scale manufacturing, where capital was generally scarce and labour plentiful, productivity growth concentrated on industrial organisation and what I call elsewhere 'labour-augmenting' technological change. In the more commercially oriented handicrafts, there was steady decline in household production and rise in wage-based workshops – a transition that made possible significant rise in output-per-worker via rise in hours-per-worker.

The race between limited capital and plentiful labour imposed human costs in the form of universally low wages and poor working conditions. The resultant growth process could run out of steam easily. The prospect of diminishing returns was forever present, and significantly reinforced by demographic transition. The period 1858-1914 saw only a modest increase in the supply of workers. Thereafter, the rate of population growth and the supply of labour accelerated. Market-transactions could not generate high returns to human effort because there was persistent excess supply of labour relative to land and capital. Given the poor record of colonial and postcolonial governments in enhancing skills, labour by and large remained a generic resource of low average capability. An overwhelmingly large percentage of the workforce entered the job market with little or unmarketable formal training. That statement would hold good for 2000 just as much as it would for 1900. Consequently, there was a tendency for real returns to labour to remain low and stagnant, even fall at times. More efficient distribution of resources and exploitation of new resources overcame the tendency towards diminishing returns, at certain times and places, but not for a long time and the region as a whole.

The acute stagnation of interwar India, if it was authentic in the first place, reflected an explosive conjunction of growth-depressing variables: exhaustion of land, exhaustion of reallocation possibilities, demographic transition, and slowdown in the world economy. It was squarely a crisis in land, brought on by diminishing returns (in eastern India in particular). Elsewhere in the economy, where innovations in technology, better organisation, or labour-reallocation could be effected – such as industry – the stagnation was barely averted. Nevertheless, the entire economic growth process, before 1947 as well as for long after that date, was far too reliant on abundant poor-quality labour to generate high enough growth rates in average income.

I hinted earlier that along with land-labour ratio, a second structural factor of key importance was risk. What I have to say on risk consists of only one point about saving-investment behaviour. The location of large parts of India on the tropics ensured that the prospect of a devastating failure of crop once every few years was intrinsic to the region's ecosystem. In theory, high risk can discourage investment by making the returns from investment uncertain, or by using up available saving in meeting calamities. A major form of savings in India was in the form of gold and silver. The demand for precious metals (like the demand for a large number of children) can be seen as a response to exceedingly high risks of life and livelihood. Financial assets fluctuated in value given the price fluctuations that climatic factors caused. Gold and silver were traded the world over, and therefore more stable-valued assets. These were the only form of insurance that worked. This preference for precious metals took a toll on savings available for productive private investment. By a rough calculation, had the acquisition of precious metals been zero, private investment in interwar India could rise by as much as three per cent as a proportion to national income.

The resource-driven labour-intensive growth process that I have described above continued after 1947. But it was reshaped in complex ways, and usually misunderstood, by an activist and overambitious state.

A series of 'green revolutions' succeeded in breaking the barrier of no additional land, as the modern parallel to the irrigation projects of the early colonial period. The relative abundance of labour, its allocation and mobility, continued to be of keen importance in deciding the pattern of employment especially in rural areas. These variables represented points of continuity between colonial and postcolonial India. After 1947, the marketisation process for labour gathered strength in every sector, except in those under regulation. The persistence of surplus labour, increasingly owing to population growth, did not, however, permit rapid rise in wages or earnings. Nor did it permit a drastic betterment of working conditions of manual and semi-manual labour. Through much of the 20th century, rural wage labour, informal sector workers, and the majority of women workers who crowded the informal sector did not see dramatic change in earning and welfare. Together, these groups constitute even now as large as possible a quarter of the workforce. In the long run, India experienced a growth rate in average earnings consistent with its endowments, with or without colonialism.

There were several key differences between colonial and postcolonial development patterns. Colonial development was based on the classical principle that nations should grow by utilising their comparative advantage, which in reality often amounted to utilising their endowments in a free world market. However, postcolonial development was based on an attempt to reshape the impact of resource-endowments by imposing restrictions on trade. There were some gains and some costs involved in that shift. The biggest gain, perhaps, was a boost to local technological development. The cost was missed opportunities in trade. Even as supply mounted in the market for unskilled, semi-skilled, poorly-trained labour, restraints were imposed on spheres of gainful employment that might demand a large number of such workers. The most important such sphere was export of labour-intensive goods, such as food and textiles, which did not grow to its potential because of the insular trade regime. The world economy, which looked like a spent force in the heyday of economic nationalism in India, greatly revived after 1950. Conceivably, if independent India had followed the colonial pattern of resource-led growth it could have achieved substantial growth in labour-intensive manufacturing, as it did so dramatically in the few years after trade liberalisation in the 1990s.

A second difference was in the sphere of saving and investment. By a variety of measures (gold control, among others), the government succeeded in raising the rate of savings much above the colonial period average. But the government itself captured a large part of these investment funds. In both respects, postcolonial India was strikingly different from colonial. The dramatic increase in growth rates in postcolonial India stands witness to the positive potentials of these policies. And the deceleration in total factor productivity stands witness to the adverse consequences of these policies. While rates of income growth were low before 1947 relative to those after 1947, estimates of total factor productivity growth were higher before 1947 than after.[5]

Conclusion

Economic history of India occupied a central part of both historical and policy discourses in the pre-liberalisation era, and suffered devaluation thereafter. Why is the field no longer seen as relevant? I argued here that the dominant narrative of economic change in India was at fault. Inspired by a specific postcolonial blend of nationalism and Marxism, this narrative criticised the market-oriented policies of British colonial rule, and thus provided independent India's pursuit of socialist policies with an ideological basis. In the mindset that India left behind sometime about the late-1980s, both economists and historians had made 'market failure' the key concept in their systems of thought, and thus shared the same worldview. After the return to freer market in the 1990s, this compatibility between history and policy was undermined, leading to a progressive irrelevance of history.

I propose that in order to restore the link between history and economics, or the past and the present of economic change in India, we need to replace narratives centred on colonial power with narratives that take long-term continuities in resource endowments seriously. The interaction between markets, resources, and risk, is able to explain the links, as well as the breaks, between the past and the present better than the old-school fixation on market failure induced by colonial power. Through this emphasis on resource-endowments – or rather, though a shift in emphasis from power to labour – the new economic history can show economists why the more some things change in India, the more some other things remain just the same over as long as a century. EPW

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Notes

1 On national income statistics, see S Sivasubramonian, *The National Income of India in the 20th Century*, Delhi, 2000, and M Mukherjee, *National Income of India*, Calcutta, 1969. On international performance, see Yujiro Hayami and Vernon W Ruttan, *Agriculture in Economic Development*, Baltimore, 1971.

2 For general statements of the old school position covering some or all of the five theses, see Bipan Chandra, 'Reinterpretation of Nineteenth Century Indian Economic History', *Indian Economic and Social History Review*, V(1), March 1968; Irfan Habib, 'Colonialisation of the Indian Economy, 1757-1900', *Social Scientist*, III, 1975; Irfan Habib, 'Studying a Colonial Economy – without Perceiving Colonialism', *Modern Asian Studies*, XIX, 1985; 'The Colonial Economy' in Sumit Sarkar, *Modern India: 1885-1947*, Macmillan, Delhi, 1983; and A K Bagchi, *The Political Economy of Underdevelopment*, Cambridge University Press, Cambridge, 1982. Amit Bhaduri formalised the idea of 'forced commercialisation', the relevant essays are reproduced in his *On the Border of Economic Theory and History*, Oxford University Press, Delhi, 1999. For a recent contribution generalising the scope of market failure, see Bagchi, 'Markets, Market Failures, and Transformation of Authority, Property and Bondage in Colonial India' in Burton Stein and Sanjay Subrahmanyam (eds), *Institutions and Economic Change in South Asia*, Oxford University Press, Delhi, 1996.

3 Reprinted as 'Towards a Reinterpretation of 19th Century Indian Economic History', *Indian Economic and Social History Review*, V(1), 1968.

4 The arguments I develop in the rest of this section are still taking shape. I made an initial statement in 'Economic History and Modern India: Redefining the Link', *Journal of Economic Perspectives*, Summer 2002, on which article the present essay relies heavily. A fuller illustration of the method proposed here can be found in my forthcoming book *Rethinking Economic Change in India: Labour and Livelihood*, Routledge, London.

5 M Mukherjee, 'Sources of Growth of the Indian Economy', *Sankhya*, Series B, 35(2) June 1973.