

- Markets have not always existed – they are relatively new in human society.
- Many societies have organised production, distribution & consumption without resorting to buying & selling without the presence of money & markets.
- Gradually, different things begin to be bought & sold, and thus markets develop. This is the process of commercialisation.
- Before undergoing commercialisation, certain things may begin to be sold before others- for example, forest tribes may begin selling wood or honey and buying salt and iron even when other things are not bought or sold by them.

#### THE RANGE OF COMMERCIALISATION

- When agriculture is commercialised, several different markets may come into operation at different times.
  - A rough list of these markets: –
1. Product markets: – Various agricultural products, such as wheat or rice
  2. Input markets :– Things needed for agricultural production such as tools, seeds fertilizers, bullocks, begin to be sold;
  3. Labour markets : – When workers begin to be hired for money;
  4. Land markets : – When farmers begin to buy and sell the land, or hire it for money;
  5. Market for money itself: – As commercialisation develops; the cultivators are often in need of money, to pay taxes or rents in cash, to buy seed or bullocks, or even to feed themselves and their families.

#### PRE-COLONIAL COMMERCIALISATION

- Markets have been known in India from ancient times, & agricultural products were bought and sold in them.
- In the Mughal Empire a large part of the land tax was collected in money from the cultivators, & so they were selling their products for money in order to pay the taxes.
- It has been estimated that this involved selling about 50 per cent of the agricultural produce.
- So virtually everyone was involved in exchange as a producer or consumer – specialized moneylenders and brokers were to be found, & there are evidence that some kinds of rights in land (zamindari rights) were bought and sold.
- The Mughal Empire broke up in the 18th century, and was succeeded by various regional kingdoms.
- They sometimes collected lower taxes than the Mughals, but they also collected mainly in cash

which indicates that the commercial system continued to exist.

#### COLONIAL COMMERCIALISATION

- Among the new powers that took advantage of the decline of the Mughals was the British East India Company.
- It acquired territories in South India, and also the rich provinces of Bengal, Bihar and coastal Orissa in the East.
- These areas possessed a rich agriculture as also flourishing trade and handicrafts, and the Company & its servants planned to enrich themselves through this conquest.
- The methods adopted by them, provided distinctive characteristics to the commercialisation

#### EAST INDIA COMPANY

- Its aims & objectives would be different from those of an Indian ruler, or even a raider like Nadir Shah.
- It was concerned with acquiring Indian goods for sale in Europe.
- Since there was little demand for British goods in India at that time, the Company had to bring gold & silver bullion to India to pay for its purchases.
- After the conquest of Bengal it hoped that it would no longer have to import this bullion into India: instead, it would collect taxes from its Indian subjects & use the surplus over its local expenditures to buy goods that would be exported to Europe.
- It would not need to send out gold & silver from Britain.
- Under such an arrangement India would, in a roundabout way pay a tribute to the Company in the form of goods to be sold in Europe.
- The Company would use its political power to make commercial profits for itself.

#### IMPLICATIONS

- Company had to manage to do two things.
1. It must collect taxes to yield enough to pay its military & administrative expenses in India & to provide a surplus for the finance of its trade.
  2. India should produce at low prices goods for which there was a demand in West so that the surplus revenues could be remitted in the form of these goods.
- As the company acquired the Diwani of Bengal in 1765, the Directors in London wrote to their employees in India to 'enlarge every channel to export us the annual produce of our acquisitions' and to 'increase the investment of your company.'
  - The term 'investment' referred to the money spent in buying goods for export to Europe.

- More than twenty years later, the Governor General, Lord Cornwallis, had the same aims. (1786-1793 and 1805-1806)
- According to Cornwallis: – The values of Bengal to the British was the continuance of its ability to furnish a large annual investment to Europe’.

#### EFFECT OF THE EXPORT TRADE ON AGRICULTURE

- Taxes collected by Indian rulers was spent within the locality or region, and so agriculture was little affected by foreign demand.
- Indian exports of handicraft and other goods more than covered imports from outside the country.
- Initially the British also concentrated on exporting Indian manufactures, like textiles, to the West.
- But a dangerous rival to Indian textiles appeared in the later 18th century, as a cotton mill industry grew up in Britain.
- These mills found it difficult to compete with the Indian products and in the 1780s they launched an agitation, claiming that the East India Company was injuring them by its import of Indian fabrics.
- The company realised that it needed to promote other lines of export from India, agricultural products were a safe line.
- They could not compete with British products, and might serve as raw materials for British industry.
- This strategy followed in the case of silk from the 1770s, but with the development of British industry this trend grew stronger.
- Furthermore, by the 1780s an indirect method of remitting the Indian tribute via China had begun to take shape.
- The British imported large quantities of tea from China, & had to pay for it in silver as the Chinese did not want Western goods.
- However, the Chinese bought Indian products like ivory, raw cotton and (later on) opium.
- If the British controlled this trade, then they would not need to send silver to China - the tea could be got in exchange for Indian products that the British acquired in India.
- This system became known as ‘triangular trade’, with the three points being Calcutta, Canton, & London.
- Wealth circulated through the first but gathered in the Company’s treasury in the third.
- The East India Company was interested in producing a controlled commercialisation of agriculture in order to provide commodities for either the Chinese or the Western market.

#### SELECTION OF THE COMMERCIAL CROPS

- The crops on which the company concentrated were indigo, cotton, raw silk, opium, pepper, tea, sugar in the 19th century
- Of these, raw silk was used by British weavers; it could not be produced in Britain. The same was true of cotton, and it could also be sold to the Chinese.

- Opium, was smuggled into China despite the Chinese prohibitions on its import.
- Indigo was a textile dye needed in the West.
- Tea cultivation was introduced in Assam from the 1840s so that Britain could control its supply, & did not have to depend on China for it.
- None of these crop products competed with any British product.
- All of them were valuable in relation to their bulk, means their price per kilogram or per cubic metre was high.
- All goods went over land in carts pulled by horses or bullocks, and over the sea in sailing ships.
- It took four months or more for a ship to sail from India to Europe, and the ships carried far less than modern cargo vessels.
- So the cost of transport was high.
- Now, if cheap, bulky goods had been carried they would have become very expensive after the shipping cost had been paid.
- This would make them unprofitable for the Company to trade in. so it was necessary for the products to be profitable in relation to their weight, so that the transport costs did not eat up the profits.

#### THE COMMERCIAL CROPS

##### RAW SILK

- In 1770 the Directors wrote from London. “ the Bengal silk, if properly made, could replace the Italian and Spanish silk that the British weavers were then using.
- So experts were brought in to improve the methods of silk making in India, & to set up workshops (called ‘filatures’) where the cocoons were spun into silk thread for export.
- The company through its agents and officials coerced the growers of the mulberry trees & the workers in the filatures, so as to keep price of silk low, so as to allow the contractors to make large profits.
- Silk remained an important export until the last decades of the 19th century.

##### OPIUM

- British found it difficult to pay for tea that they imported from China.
- Opium is an addictive drug, like nicotine and alcohol, & once a person had started taking it, he finds it difficult to give up, and will pay high prices in order to get it.
- The British found it highly profitable to smuggle opium into China.
- Opium had long been produced in India in small quantities. It was used as a medicine as well as a narcotic.
- In 1773 Warren Hastings, searching for fresh sources of revenue placed its production & trade under Govt control, & appointed contractors to handle the crop.

- Later on officials known as opium agents were put in charges it.
- The opium poppy could only be grown under a contract to sell to the Government at a price fixed by it. Any attempt to evade this control was severely punished.
- The supply was also sought to be controlled so as to maintain a high price on the Chinese market.
- Great efforts were made to put down the independent producers of opium in the Malwa region of Central India — when they failed the company contented itself by imposing a heavy export duty on the Malwa opium.
- Thus the development of opium as a commercial crop fulfilled both the objectives of the Company — it gave a large revenue in India, and also created a channel (via China) for the remittance of the that income to London.

#### INDIGO

- This a blue dye extracted from a tropical plant. It was used to colour textiles. Till 1790s maximum Western supply came from the Caribbean colonies.
- After decline in production in Caribbean, Indian indigo found a growing market.
- The company had been encouraging Europeans to settle in its territory to produce indigo, & purchasing it from them for export. Production increased rapidly.
- It was less than 5,000 factory maunds in 1788-9 and reached 133,000 maunds by 1829-30. (1 mound = 37 kg)
- Indigo was grown under two systems of production nij & ryoti.
- Nij : – the planter undertook the cultivation with their own ploughs & cattle, employing hired labour for the purpose.
- The plant was taken to the planter's factory for the day to be extracted.
- Under the ryoti system (also known as asamiwar), the peasants cultivated the plant on their own land & delivered it to the factory at a fixed price.
- Almost all the indigo was produced under this system, as it had many advantages for the planter.
- To begin with, the price paid to the peasant was very low, and yet he could not refuse to grow the indigo.
- Refusal might lead to a beating or imprisonment and the destruction of the other crops on his land.
- To further strengthen the planters' power, doctored accounts were maintained which showed the peasant to be in debt to the factory — a debt that was to be cleared by going on delivering indigo.
- Somehow, the debt was never cleared, but increased from year to year.
- The planters were Europeans, & maintained excellent relations with the Magistrates & Govt officers, so that no complaints against them were ever heeded by officials.

- So the peasants were compelled to go on growing this plant at a loss to themselves: their accumulated discontent finally found expression in what were known as the 'Indigo Revolt' in 1859-60.

#### COTTON

- If indigo was the important commercial crop in Eastern India, raw cotton was that of Western India.
- A significant export to China had developed by the 1780s & the East India Company & Bombay merchants, who enjoyed its favour, sought to control the sources of supply.
- By 1806 substantial territory had been acquired in Gujarat, and the Company began forcing the cultivators to sell to them at a price lower than that prevailing elsewhere.
- Now however, the Company came into conflict with private European merchant and were compelled to give up the system and retired from this trade in 1833.

#### PEPPER

- Here again the political power of the Company was used to force down the price, & the prevent merchants from selling to the French or them competitors.
- Here again, the company was forced to hand over to private British merchants in the 1830s.

#### SUGAR

- The sugarcane is indigenous to India - jaggery was part of staple diet in many parts of India
- In the 1830s the indigo planters were faced with a fall in prices and sales, and so capital began to be invested in producing sugar for the London market, where import duties had been reduced and demand was rising.
- Large areas of land were given to European speculators who began setting up sugar plantations in eastern Uttar Pradesh.
- The local peasants had long produced gur for local consumption and sale to other parts of India, but they were now made to produce a thickened sugarcane juice (called raab) for delivery to the planters who processed it into sugar.
- As with indigo, the peasants received advances, & were then bound to deliver to the factory at a low, fixed price.
- Large profits were made by the planters, & exports grew; in 1833-34 Calcutta had sent less than 1,600 tons of sugar to England, but by 1846-7 it sent over 80,000 tons—a fifty fold increase.
- This prosperity was short lived, and when prices fell after 1848 most of the factories shut down, & exports almost ceased.
- Indian gur merchants and khandsaris then took the trade back into the old channel of sale to Mirzapur and central India.

#### TEA

- In the 1830s the Company faced mounting hostility in China because of its insistence on smuggling opium.
- It feared that its lucrative trade in tea might be interrupted, & began to promote the cultivation of tea within its own territories in Assam.
- When the experiment proved successful, the gardens were handed over to a private company, the Assam Company.
- Other tea companies also set up gardens in the 1850s.
- Since there were no local labourers to be had, the tea gardens brought in indentured labourers from chota Nagpur and elsewhere in large numbers.
- This is the only instance in which commercial crops were produced in large capitalist enterprises.
- However, the expansion of tea, coffee and other plantations really occurred after 1860.

#### THE IMPACT OF COMMERCIALISATION IMPOVERISHMENT

- The effects of commercialisation will differ from time to time, place to place, & crop to crop.
- However, certain common features, & certain common effects to exist
- The object of the British was to produce goods for export to Europe, so that funds could be accumulated in the Company's treasury in London.
- Private English businessmen also wanted to send money back so that they could ultimately retire to a life of comfort in Britain.
- The exports therefore severed essentially to remit resources out of Indian received no imports in return for these exports. Obviously such a transfer impoverished India.

#### INSTABILITY

- Agriculture in India was exposed to many hazards; drought, flood or other calamity could destroy the crops and ruin the farmers.
- But with commercial agriculture a new set of dangers appeared. The crops were now going to distant market.
- If the West Indian sugar crop was good, prices might fall in Calcutta, and the sugar factories in Azamgarh might pay the peasants less than they had promised, and maltreat them if they complained
- Similarly, Bundelkhand region (the northern part of Madhya Pradesh) began to grow a lot of cotton for the China market after 1816.
- The British officials claimed that the area thus became very prosperous, and increased the land tax.
- However, the export declined in the 1830s, prices fell – but the taxes were not reduced
- Both zamindars & peasants became impoverished, the land went out of cultivation, and finally in 1842 an uprising, known as the Bundela Rebellion broke out.

- Uttar Pradesh also suffered in a similar way in the 1830s the price of cotton and indigo fell, and as Professor Siddiqi describes it: 'Peasants were abandoning their lands, Zamindars had suffered losses.
- Money-lenders had been ruined because the loans they had made had not been repaid; many of them now refused to lend money to the cultivators.
- Land had depreciated in value: innumerable cases were reported of estates being up for sale & no buyers coming forward.' The situation in rural Bengal was also similar at this time.
- Between 1830 & 1833 almost all the big firms connected with the export trade & the finance of commercial agriculture in Bengal, Bihar and U.P. went bankrupt.
- The reason was that they had gone on dispatching indigo to Britain even though prices were falling, because they wanted to get their money out of India.
- The Govt made matters worse by sending out bullion to London, & thus causing a scarcity of money in India.
- Businessmen who had borrowed to produce the export crops found that they could not repay the loans, and went bankrupt.
- Finally, of course the worst sufferers were the peasants who had been drawn by force and persuasion into the production of the commercial crops.
- Falling prices in London came to ruin cultivators in India.
- The commercialisation added a fresh element of instability to the rural economy.

#### THE VARIOUS MARKET

- Except in the tea, the crops were not produce by hired labour. As in the case of indigo, the preferred system was one in which the peasant could be coerced into supplying the require product at a very low price (what was called the ryoti system).
- In such a system, earnings would be very small which was why the peasants had to be coerced into it.
- They could survive because they and their families could grow food on the rest of their land – but a landless labourer could not do this, and would have had to be paid more.
- So the planters and businessmen did not like to employ wage labour
- The peasant had to use his own plough, bullocks, etc. to raise the commercial crop. But he was not paid enough for this-as that would reduce the planters' profits.
- He could bear the loss because these things were needed to grow his own food supply also, but as in the case with labour, no free market for these inputs could easily arise.

- The growth of a land market would also be inhibited
- The exacting regime of the tax-collector, the zamindar and the planter will check the growth of a market in land
- The credit market, was affected
- The indigo cultivators were given loans by the planters as way of tying them down.
- Similarly, in the case of opium, the peasants took the advance to grow the crop at least in part because they feared that a refusal would anger the village headmen and the Govt.
- A free market, with the freedom for each individual to act in this own interest clearly did not exist.

#### SOCIAL STRUCTURE

- The continual use of coercion and State power distorted the markets and prevented that appearance of a full labour market.

- Instead, commercial production fastened itself on the existing structure of small peasant production and impoverished it.
- Production continued to be carried on by the peasant and his family on their little plot of land, but now the indigo planter or opium agent forced him to mark off a part of his land for a commercial crop, from which he earned little or nothing.
- The peasant was impoverished, but neither the method nor the organisation of production was altered.
- The European businessmen found it more profitable to exploit the small peasant household than to engage in large-scale production with hired labour.



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