

The Economic History of India, 1857–1947. By *Tirthankar Roy*. Oxford: Oxford University Press, 2001. 336 pp. Tables, maps, bibliography, index. Cloth, \$24.95. ISBN 0-195-65154-5.

Reviewed by Susan Wolcott

This new book by Tirthankar Roy of the Indira Gandhi Institute of Development in Mumbai was written as a successor to the massive *Cambridge Economic History of India*, Volume II, *c.1757–1970*, edited by Dharma Kumar and published in 1982. Roy has provided an updated, simplified tome designed to be suitable for an undergraduate text in Indian or Asian economic history. He condenses the information of the Cambridge history (CEHI), which runs to over 1,000 pages, and updates the scholarship. For the most part, he follows the framework of the original, with its chapters on agriculture, large-scale industry, irrigation, railroads, government policy, and population, but he adds one on macroeconomic variables such as national income, foreign trade, and price movements. His coverage of industry is more extensive, in that he has appended one chapter on banking, plantations, and mines, and another devoted to handicrafts. These topics were not covered in much detail in the CEHI. To condense the information of 1,000 pages into 300, however, required cutting out quite a bit of the information. While the CEHI is rich in detail, the current text is more appropriately described as a sketch of the relevant facts.

Given the complexity of Indian economic history, both the condensation and the updates will be useful to students and scholars. Roy covers most of the major themes of Indian economic history. Each chapter concludes with a generously annotated bibliography of both the relevant classic texts and more current work. Although he does not provide a full discussion of any topic, the basic arguments are there, and the student is directed to other relevant literature.

One advantage this text has over the CEHI is unity of voice. Though the details are sketched, they all contribute to a unified theme. The CEHI was a collaborative effort of twenty independent authors. As Kumar wrote in her preface to the CEHI, “We have seen our task strictly as that of co-ordinating the work of individual scholars.” The present text reflects Roy’s outlook. Though it includes the findings and scholarship of many, it is slanted by his interpretation. He is well suited to this task, as he has written on many important areas of Indian economic history, including monetary policy, handloom weaving, and the history of small-scale industry. He argues for the importance of South Asian economic history because it throws light on general questions of poverty and economic stagnation. If Nathan Rosenberg and L. E. Birdzell Jr. could entitle their 1987 book “How the West Grew Rich,” Roy could well have led this one with the question, “Why did the South stay poor?” In particular, he directly confronts the

relevance of colonialism to India's poverty. This issue was only addressed obliquely by the CEHI. Roy finds the evidence for the negative impact of colonialism on the Indian economy to be weak. It is true that some groups apparently suffered during the 100 years of colonialism, but the government played a relatively small role. The major economic impact of colonialism was India's integration into the world economy, through both increased external trade and through the integration of the internal Indian economy by railroads. While some groups suffered, the net effect of that integration was undoubtedly positive.

What general theory can we draw from the Indian experience? Roy summarizes the work of western economic historians as concluding that property rights and free markets lead to growth. Under the British, India had both. Why was there still no growth? Roy answers: resource endowments, caste and rural power, demography, and ecology. India did not grow because investment was too limited relative to population growth. Why, then, was investment so limited? Sociologist and economist Morris D. Morris argued that Indian industrial investment was limited because the inherent risks were so great. The Indian economy had too many unknowns. His was almost a pure market explanation, though his proposed solution, massive government investment, was not. Roy expands upon Morris's argument. First he notes that Indian agriculture, because it revolved around monsoons, was also inherently risky. As a second and more interesting point, he introduces the effect of social institutions in diminishing the productivity of investment. He argues, for example, that social values limited women to the household, thus removing a large segment of potential workers from the Indian economy and decreasing potential production. Another good example is his argument that the salutary effect of government-funded irrigation projects in the Ganga-Jamuna Doab was hampered by unequal access to the water because of "local social and political structures that the colonial state was too weak to change" (p. 262).

The information Roy has gathered suggests other ways in which community values stalled development, but he does not elaborate on them. The banks offer one story. Roy argues that credit rationing in India was a prime deterrent to expanding modern industry. Interest rates on debenture debt of major industrial concerns, such as textile mills, were low, on the order of 6 to 8 percent, but these low rates to established firms could be consistent with little credit being available to smaller industrial establishments. Roy argues that indigenous Indian joint stock banks arose in the twentieth century to meet this lack. These were typically outgrowths of indigenous industrial conglomerates, and they used public deposits to finance the firms' industrial ventures. The joint stocks, unfortunately, usually failed, an outcome that Roy blames on a combination of moral hazard and asymmetric information. In order to attract deposits, they

offered interest rates that were too high and thus were forced to take on overly risky projects. This explanation, however, is unsatisfactory. Earlier, Roy had faulted the British-dominated Presidency Banks for only providing short-term working capital. He contrasted this with Japanese and German credit institutions, which formed long-term relations with industrial firms. Why did such bank–firm partnerships work in Japan but fail in India? This question deserves more work, but I doubt it was due to better government oversight in Japan. I am reminded of the work of Timothy Guinnane contrasting Irish and German credit cooperatives. The Irish credit cooperatives failed because, for social reasons, they refused to police their members and took on ventures that were too risky.

Community attitudes toward labor also affect development. Greg Clark and I have argued that the collective resistance of Indian labor to increasing its level of effort hampered the development of Indian industry, but our article, published in 1999, was not cited in the bibliography. And, though Rajnarayan Chandavarkar was cited, the implications of his argument that Bombay textile workers collectively resisted efforts to speed up levels of production were not expanded upon.

As Roy himself concludes, “One of the messages of the book is that Indian economic history is an evolving discipline with many researchable questions still unanswered.” This book is a very good place to begin the research.

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