

TRADE DELAYED COLONIAL INDUSTRIALISATION AND INDEPENDENCE: Evidence from British India

Colonisers encouraged their colonies to export agricultural commodities and raw materials, and to import manufactures. Did this prevent industrialisation in colonies, and did it help to keep them subjugated to the empire? New research by **Roberto Bonfatti** and **Björn Brey** answers these questions for India by exploiting the historical experiment of World War I.

Their study, to be presented at the annual congress of the European Economic Association in Manchester in August 2019, notes that during the war, Indian imports of British manufactures declined drastically, affording Indian industrialists a period of protection from foreign competition. By analysing the effect of the trade shock on Indian industry and politics, the authors are able to infer whether colonial trade policy slowed Indian industrialisation and muted opposition to British rule.

The key findings are that thanks to the WWI trade shock, Indian industrial growth was 30% faster in 1911-1921 and war-induced industrialisation made members of the Indian National Congress (INC) more anti-British by the early 1920s, with members being 4% (23%) more likely to support civil disobedience (a boycott of British goods).

Furthermore, the INC was 3% more likely to win seats in the crucial 1937 election due to the WWI shock to trade. These results suggest that colonial trade played an important role in preventing colonial development, and embedding foreign rule.

More...

The authors use the decline in trade between India and the UK during World War I (Figure 1) to analyse whether Indian districts that were more exposed to this unexpected shock industrialised faster and became more anti-British as a result.

To do this, they newly digitised highly disaggregated data on Indian trade and industrial employment during World War I and after. This has allowed them to determine which districts were more affected by the decline in trade (darker districts in Figure 2) based on their initial production structure.

They also digitised district-by-district responses of INC members to a survey on anti-British feelings in 1922 (the year after the first non-cooperation movement led by Mahatma Gandhi), and on voting in the 1937 provincial election (the first with a significant franchise).

Thanks to the World War I trade shock, Indian industrial growth was 30% faster in 1911-1921. By 1917, the shock had added an additional 23,000 industrial workers, with the number rising to 102,000 by 1926. More exposed districts were still more industrialised in 1936, compared to less affected ones.

This was exclusively driven by a rise in the number of Indian industrial employees, and Indian-owned firms. This suggests that India gaining protection from trade even before WWI could have set in motion a process of industrial learning, which would have primarily benefited Indian producers.

War-induced industrialisation made INC members more anti-British in the 1922 survey (4% more likely to support civil disobedience and 23% to support boycotting British goods). Persisting as it did through the second half of the 1930s, war-induced industrialisation continued to tilt Indian politics towards independence.

In particular, it made the INC (the main pro-independence party) 3% more likely to win seats in the 1937 election, while it weakened parties more favourable to British rule. In other words, districts that were more affected by the World War I trade shock were more likely to elect an INC candidate, compared with less affected ones.

These results follow a simple logic: while the British Empire benefited colonial producers of primary products (with Britain being an important market), it penalised colonial industrialists (who found in Britain a formidable competitor). It is not surprising then, that increased industrialisation stimulates demand for independence.

These results shed new light on the economic impact of empires on colonies and their long-run economic legacy.

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'Trade disruption, industrialisation, and the setting sun of British colonial rule in India' by Roberto Bonfatti (University of Padua/Nottingham) and Björn Brey (University of Nottingham)

Contact:

Björn Brey, University of Nottingham

Homepage: <https://sites.google.com/view/bjoernbrey/home>

Email: bjoern.brey@nottingham.ac.uk

Twitter: @BreyBjorn

Bonfatti Roberto, University of Padova and University of Nottingham

Homepage: <https://sites.google.com/site/rbonfattiweb/>

Email: roberto.bonfatti@unipd.it

Twitter: @robertobonfatti

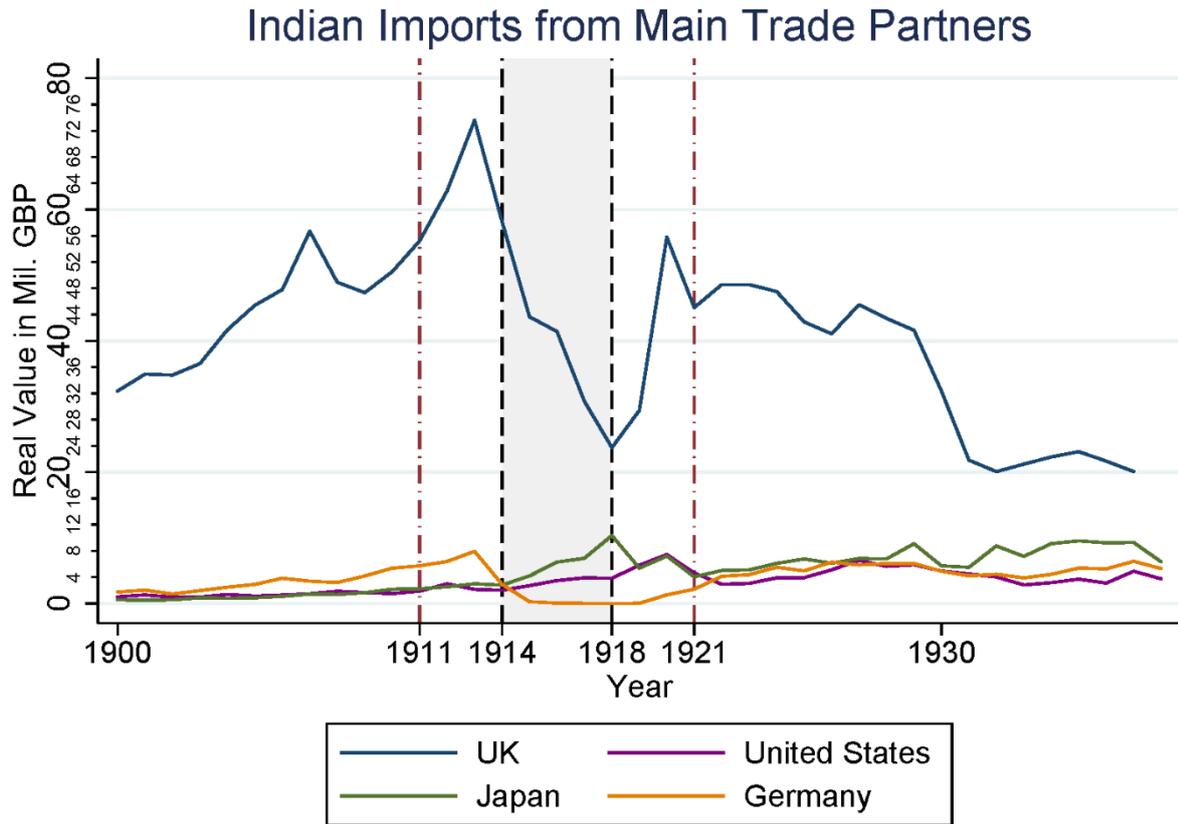


Figure 1: Total Indian imports from top-4 trade partners in, in 1900 British pounds.

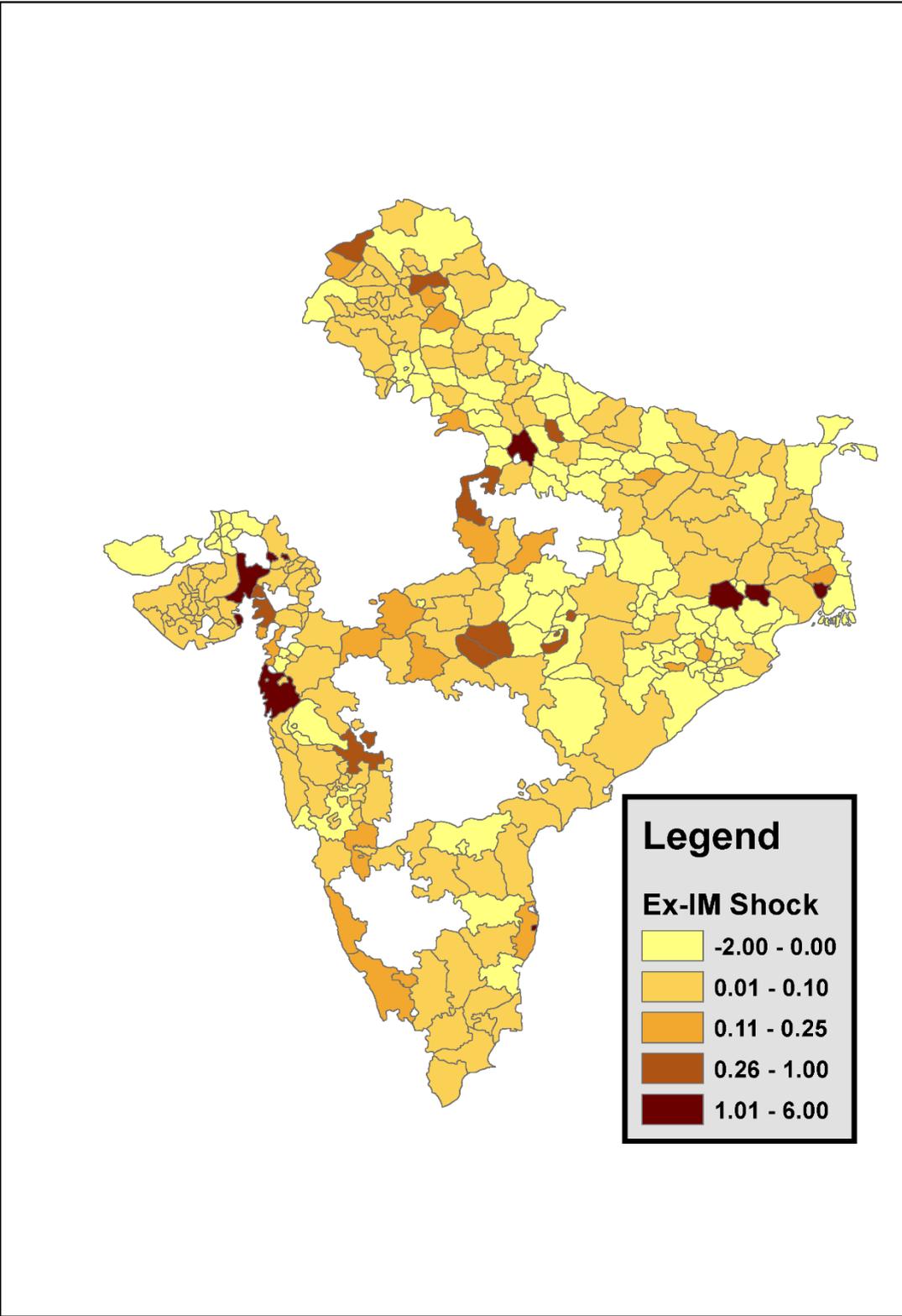


Figure 2: Exposure to WW1 trade shock across Indian districts in 1911 British pounds per inhabitant.