The Other Side of Foreign Investment by Imperial Powers

Transfer of Surplus from Colonies

In the era of the rise of industrial capitalism and its development in western Europe and the USA the transfer of part of the income from the major colonies played a critical part in boosting investment in western Europe and allowing enormous amounts of investment to be directed towards sustenance of the mass migration of Europeans to overseas colonies such as the USA, Canada, Australia, New Zealand or South Africa. However, the size and even the direction of the flow of surpluses have been obscured by the usual methods of calculating the value of foreign trade from the mercantilist era down to the present. The author's recalculation of the surplus extracted by Britain from India and Burma demystifies the astonishment expressed by most commentators about the very large proportion British foreign investemnt formed of its GDP and the apparently perverse desire of the British to retain an empire which was less profitable than, say, investment in the USA. The realisation of the enormous surplus was an integral part of the mechanism by which the white-settled colonies were populated and equipped and therefore could not be treated as a substitute for that process.

AMIYA KUMAR BAGCHI

I
Mechanisms of Exploitation from the Age of Merchant Capital in Europe to the Maturing of Industrial Capitalism

The world today has seen the emergence of the USA as the superpower, whose economic and military might far outdistances that of its nearest rivals or potential challengers. The USA had in fact emerged as the richest country in the world by 1914. That ascent owed enormously to the takeover of a continent rich in natural resources from its original inhabitants, namely, the native peoples of America, and its peopling with enormous numbers of European immigrants. The period 1870-1914 witnessed the biggest mass migration in recorded history, predominantly of Europeans to the USA, Canada and other temperate regions. That migration in turn was supported by an enormous flow of foreign investment from European counties led by Britain.

In the nineteenth century and beyond, British investment in the USA had as its counterpart large trade deficits of Britain with the USA In the balancing acts that supported the British empire, before World War I, Indian exports generated large surpluses with the USA even as India had a nominal and increasing deficit with the UK [Saul 1960]. India sent a large tribute to Britain in the shape of Home Charges (that is, costs of British civil and military establishment in Britain maintained by Indian revenues along with interest on British loans to India all of which was charged to Indian revenues), and British traders, shippers, and insurers realised a profit, going up to 40 per cent of India's external trade (as against the 5 or 4.5 per cent assumed by Imlah 1958): most of that trade was monopolised by European – mainly British – traders [Bagchi 1982: chapter 4; Banerjee 1990]. I have argued elsewhere that much of British investment in India really owed its origin to the reinvestment of profits made by the Europeans in India. While some of those profits originated in new enterprises, the Europeans had privileged access to those resources such as land for plantations, charters for railways, or mining properties which made the enterprises profitable [Bagchi 1972, 1972a]. We have argued earlier that colonial surpluses partly held up some of the material progress achieved in western Europe in the age of merchant capital. In the era of the rise of industrial capitalism and its development in western Europe and the USA also the transfer of part of the income from the major colonies played a critical part in boosting investment in western Europe and allowing enormous amounts of investment to be directed towards sustenance of the mass migration of Europeans to overseas colonies such as the USA, Canada, Australia, New Zealand, or South Africa. However, the size and even the direction of flow of surpluses have been obscured by the usual methods of calculating the value of foreign trade from the mercantile era down to the present.

The problem is that the profits realised by the importers, financiers, shippers, or insurers based in the metropolitan country and the tribute exacted by the ruling power as expenses of administration and defence do not figure directly in the trade accounts. Hence the surplus flowing out of the colony is grossly underestimated, even if such a phenomenon is recognised at all. Interestingly enough, some of the metropolitan officials, traders and planters had seen and analysed the problem in the eighteenth and nineteenth centuries [Long 1774; Colebrooke and Lambert 1795, and Mallet 1876, quoted in Bagchi 1989: 71-73], but many of the modern apologists of colonialism [such as Davis and Huttenback 1986] have ignored this phenomenon altogether. The issue is clearly set out by Braudel (1982: 277-78), while describing the relation of St Domingue and other island colonies of France in the tropics in the eighteenth century to Bordeaux, the main French port importing the products of those colonies:

> The wholesalers, commissioners and shippers of Bordeaux, who obliged the islanders to use the services of their boats, their captains (who often had instructions to sell cargoes for them), their warehouses and their life-saving advance payments, were thus the masters of the machine that turned out the riches of the colonies…Now all this hardly seems to correspond to the overall statistics of colonial trade. In Bordeaux, where half of all French trade with the colonies was carried on, exports only amounted to a third, later a quarter, later still back to a third, of the imports to Bordeaux of products from St Domingue, Guadeloupe and Martinique. And there is a similar imbalance in the figures for Marseilles… And yet St Domingue, to take only one example, was constantly drained of her piastres: they were smuggled in from nearby Spanish America and did no more pass through the island. The extraordinary truth was that they went straight to Bordeaux — in huge quantities after 1783.

In this particular case, the main factor in reconciling the difference between figures of exports from and imports into Bordeaux would be the service charges of loans extended by the merchants or bankers of the port to the islanders.

One of the elements of the folk wisdom of most economists and mainstream economic historians is the very significant role European investment played in the development of the rest of the world, especially in the period since the late nineteenth century [see, for example, Woodruff 1966]. In spite of the work of Ragnar Nurkse (1961), Matthew Simon (1968), and others, it is not realised that most of that investment went to overseas colonies settled by Europeans. There is even less recognition of the fact that not only was there little net investment by the European powers in their non-white dependencies, but that a massive amount of profits and tribute was extracted from those dependencies and especially from India, Indonesia, Egypt and China, and several Latin American countries such as Argentina and Brazil. This surplus went a long way to balance the foreign investment by the European powers in their white colonies [cf Bagchi 1972a].

There are many analyses of the profitability of colonies and the empire in general, some of them very distinguished [eg, Jenks 1927/1963; Thorner 1950/1977]. There have also been many accounts of foreign investments and their rates of return, going back to the days of C K Hobson, Herbert Feis, John Maynard Keynes and coming forward in our time to the work of Edelstein (1982, 1994a), Pollard (1985), and others. But most of that work has concentrated on the costs and returns of investment made by the nationals of the metropolitan countries [eg, O'Brien 1988 and Edelstein 1994b], and has not considered the returns obtained without any productive investment made by the colonial powers. To take the most extreme example, what investment did the slave-traders make in the countries from which they procured their victims? What investments did the East India Company make in India before the coming of the steamships, the railways or the large irrigation canals? Precious little, as Marx had pointed out in 1853 in his articles on India. And as a later commentator, Jenks (1927/ 1963: 207-08) pointed out:

> The subjugation of successive portions of the decrepit Mughal empire to the Company's authority paid for itself. Subsequent wars and annexations were financed by rupee loans, floated in Calcutta, in which the civil and military servants of the Company invested for safe-keeping their accumulations, which included not a little booty. And as independent mercantile establishments grew up to carry on the trade and to engage in exchange banking, they too were financed from the savings and plunder of the Company's servants.

The major portion of gain from the colony did not spring from any additional productive investment but from the tribute realised from the colonial subjects in the form of land revenue and other taxes, from the utilisation of what Edmund Burke had characterised as 'coercive monopoly', and from the profits of internal and international trade, a large part of which functioned as a means of effecting the transfer of the tribute from the colony. Instead of looking at these actual processes for realising the surplus yielded by the colony, later analysts and apologists have wasted enormous amounts of intellectual energy and paper setting up counterfactuals with absurd assumptions, such as that colonies functioned under purely competitive conditions, or that the surpluses realised from India by Britain or from Indonesia by the Netherlands were marginal to the foreign exchange accounts of those countries.

Some of the earlier students of the nature of British trade and investment were more clear-sighted about the function of the colonies and the size of the resource transfer or its direction than most of the recent analysts. For instance, Keynes (1909: 14) discounted the exaggerated figures of private British investment in India, and estimated that over the period 1902-09, the remittances from India by foreign investors in private enterprises exceeded the investments made by them in those enterprises. In a carefully worked out account, Pandit (1937: 125) found that, taking the 16 years from 1898 to 1914, Great Britain's private investments in Indian private firms was positive in only two years (viz,1900-01 and 1905-06) and negative in all the other years. The net outflow on account of private enterprises in which British investors were involved, according to Pandit's estimate came to Rs 233.2 million or £ 15.5 million over these years. The irony is that because of the high profitability of those enterprises and the oligopolistic control exercised by European investors over those enterprises, the value of their holdings almost certainly increased even though they did not transfer any capital to India. As a Bangla saying goes, they were 'frying their fish in the oil of the fish'.

During the late nineteenth century, there was a clear recognition on the part of top British officials and spokesmen of British business that Indian surpluses with the Americas performed a vital function in balancing British balance of trade deficits with those countries, and especially the USA. In the late nineteenth century, officials also talked openly about the tribute realised by Britain from India, and about the paramount need for a smooth international transfer mechanism for the transfer of that tribute [for detailed references, see Bagchi 1989: chapter 2 and Bagchi 1997]. The critical role Indian trade surpluses had played in the imperial payments mechanism had been analysed by Kahn (1946) and Saul (1960).

Some analysts, even among those who recognise that imperialism is a phenomenon associated with the exercise of arbitrary power by the rulers of one country over the whole population of another and not just a passive reflection of the interconnections of trade and finance, suffer from the illusion that the introduction of formal free trade in Britain in 1846 led to the pursuit of economic gain under the rules of purely competitive markets [see, for example, Washbrook 1981; Cain and Hopkins 1987; O'Brien 1988 and 1999]. The cases of India and Indonesia vividly illustrate the numerous ways in which the members of the ruling 'race' and their white associates rigged the market in their own favour whenever they had a chance to do so. Racialism and restriction of access to the ruling apparatus, and its use to keep the colonialised population under control were the chief instruments in this exercise of monopolistic or oligopolistic control in the fields of trade and investment.

Let us take the example of the construction of railways. Although some wealthy Indians had shown a great deal of interest in the construction of railways in the 1840s [Chakrabarty 1974] quite a few years before the first railway company began construction, none of them could be promoters since none were British citizens with access to the British parliament: you needed the assent of the parliament in order to secure a charter for a joint-stock company and you needed the government of India's grant of land for pushing through the railway line. The situation did not change even after the East India Company's rule over India formally ceased and the parliament assumed direct rule over India. Nor did it change when the new Company's Act, framed in imitation of the British legislation allowed joint-stock companies to be floated in India. It was unthinkable that any purely Indian company should have secured a land grant for the construction of railways from the British Indian government. It took another half a century for some British-Indian joint ventures to be floated to construct some minor, mostly narrow-gauge lines with uncertain prospects of profitability. Could the Indians have anything to do with the running of the railway companies? Again, the prospects were pretty bleak. The head offices were in Britain, the directors were all European, the recruitment of officers took place in Britain from among exclusively British or in perhaps a few rare cases from among non-British whites, the purchase of railway engines and rails and for sometime, even sleepers was made from Britain or white settler colonies such as Australia, and even if there were any Indian shareholders, they could have no say in any of these matters [Bagchi 1970, 1972: chapter 6 and Bagchi 1987: Part I, esp 356-59]. In the actual operation of the railways, internal Indian trade and businesses Indian-controlled ventures were systematically discriminated against: freight rates were higher for transport between two internal points than between a point in the hinterland and the port. Goods produced in India paid higher freight rates than similar imported goods [Ghosh 1911; Banerjee 1999: 44-45]. When wagons were short, European companies (which were organised into trade associations and chambers of commerce that formally or informally barred the membership of Indians) could obtain preferential allocation. The list could be extended very far to include many other examples of monopolistic behaviour backed by racial discrimination.

Let us take another instance, viz, shipping companies. One way of minimising initial losses of the major shipping companies, and of ensuring various contracts later on, was to acquire government custom, in particular, the privilege of carrying royal mail. These privileges were granted only to British-controlled companies, such as P and O or BISN. If any Indian companies dared to challenge British companies on any of their profitable routes these big companies, with deep pockets and official patronage set out deliberately to ruin them through all the instruments of cut-throat competition. The first major Indian company to have survived these tactics did not emerge until the twentieth century, and that had something to do with the intensification of the anti-imperialist struggle in India [Jog 1969, 1977].

Not only in these major transport enterprises but in trade, banking, access to land, the exercise of arbitrary control over labour, and supply of stores to the government, being British or European gave an enormous advantage to the owners, managers and promoters. Let us take the example of plantations. For ordinary Indians, the continued recognition of a title to land was contingent on a prompt payment of an annual rent, euphemistically called 'land revenue' [Bagchi 1992]. But when land was made available to intending British planters in Assam, the Terai region or the Nilgiris in southern India, it was granted for a low price and under fee simple, that is, as absolute private property without the burden of an annual revenue payment. As we have noted earlier, a similar discrimination was practised in virtually all non-white dependencies of Britain .

Take joint-stock banking with limited liability. Before the introduction of an Act in the 1860s authorising the establishment of joint-stock banks with limited liability, any banks with that privilege could be organised only under a charter granted by the British parliament. The government of India had such banks organised in the three presidencies of India, — in 1809 in Bengal, in 1840 in Bombay, and in 1843 in Madras. With a break of about nine years in the case of the Bank of Bombay (since the old Bank of Bombay collapsed in 1867), these banks survived till 1920 when they were merged to form the Imperial Bank of India. The first of these banks had one Indian director for the first two years and no other Indian on the board thereafter, and the Bank of Madras had no Indian director except in the very last year of its existence, when the bank's head cashier was made a director in a gesture of condescension to Indian opinion. All the three banks were closely connected with the government and were the biggest domestic banks all through the period. Because of the fact that Bombay came under British occupation later than most other parts of India and because Indian businessmen managed to keep better control of some parts of the wholesale and international trade [Bagchi 1972: chapter 6, Bagchi 1987: Part I, chapter 12 and Part II, chapters 26 and 28], had a complement of Indian directors and lent to Indian and European borrowers in a reasonably even-handed manner. But the other two of these semi-government banks discriminated against Indians in their lending policies . All of them recruited their officers only from among British citizens, denying the Indians all opportunities of promotion to supervisory positions. The Bank of Bengal systematically paid European brokers of government securities double the commission rate that it paid to the Indian brokers.

In the few manufacturing companies that grew up in colonial India, on the basis of government patronage in areas like the production of rum or other spirits, saddlery and other army stores the Europeans managed to organise local monopolies or in some cases even Indiawide monopolies or cartels. Access to foreign and especially transoceanic trade was denied to the Indians in most parts of India except Bombay, and for trade with south-east Asia and Sri Lanka, Madras as well . Control of channels of foreign trade and large-scale finance by Europeans ensured, for example, that when the jute industry grew up near Calcutta, Indians would have no share in it until the first world war led to the breakdown of the European monopoly of foreign trade in Calcutta [Bagchi 1970 and Bagchi 1972, especially chapters 6 and 8, Chakrabarty 1989: chapter 2].

The jute industry in Bengal is just an illustration of how control over large-scale trade and finance, access to ocean shipping, and privileged access to transport facilities could combine with all the power exercised by members of the ruling 'race' rendered the conditions of large-scale trade and manufacture anything but competitive in any real sense in the non-white dependencies of the European powers. There is plenty of evidence of a similar kind of oligopolistic control exercised by big plantation companies, tea marketing companies in India and the final sellers of tea in the world market organised in a tight network radiating from Mincing Lane in London to all the major producing regions in the British empire. The control was good enough for the companies to be able to organise a quantity-regulating cartel to fight the worst effects of the depression of the 1930s even before the officially negotiated International Tea Agreement of 1933 [Gupta 1997, 2001].

The imperial network allowed the privileged British firms to make super-normal profits in several other ways: for example, in the period of depression in sugar prices in the late 1890s and early 1900s, India paid much higher prices for Mauritian sugar than for Indonesian sugar, because the former was produced and marketed by British companies [Banerjee 1999: 102]. On the other side, Indian raw cotton exports to the UK fetched much lower prices than exports to Japan, or the Continental European countries [Banerjee 1999: 112].

Paradoxically enough, the oligopolistic control exercised by the incumbent AngloIndian business groups and the clear division of the whole of India between big European business houses [Bagchi 1972: chapter 6, and Bagchi 1987: Part II, chapters 27 and 30] discouraged investment in private enterprises by foreigners who had not acquired an intimate knowledge of the networks of control and a foothold in some closely guarded sector of business. Thus investment in India by genuinely multinational foreign enterprises was quite insignificant until after Indian independence. The obverse of this situation was that as independence deprived the so-called Anglo-Indian business groups of their political advantages, most of them lost out to competing Indian business groups, except in areas such as tea where control over the consuming markets provided them with an advantage.[1]

II
Tribute and Profits Realised by the Metropolitan Powers from India, Egypt and Indonesia between the 1870s and First World War

A minimal estimate of the surplus extracted by Europeans can be arrived at by taking the unrequited export surplus of a colony. However, in view of the fact that the nominal figures of exports in the official trade accounts do not take account of the profits made by Europeans on those trades, they have to be separately included in the estimates. On the basis of the estimates provided by Banerjee (1990) we have raised the values of exports, including the profits made by European traders, shippers, bankers and insurers alternatively by 20 per cent and 25 per cent, allotted different shares of Europeans in the external trade in the major ports of British India, including Burma (Myanmar) and arrived at the figures of the export surplus of India including and excluding Burma for the years 1871-1916 (for the method of estimation used see Appendix).

Table 1 provides estimates of the export surplus of India accruing to the Europeans, under the above-mentioned alternative assumptions about the average rate of gross profit made by shippers, insurance agents, exporters, and agency houses who used these routes for remitting their profits to Britain and other western countries. The justification for taking Burma explicitly into account is that most of lower Burma was already under British rule by the 1870s and the rest was conquered by the British in the 1880s.

However, much of the surplus was directly appropriated by the British as 'Home Charges' and transferred to Britain. The British also maintained a large military presence in all sensitive east of Suez and the major cost of that would not show up in foreign trade accounts. Finally, most British officials and merchants maintained a lavish lifestyle the resources for which came out of taxes raised by the colonial government and the profits made by the merchants. Again, these would not show up in foreign trade accounts. The Europeans controlled not only the major part of imports and exports, but also a very large part of the wholesale trade in the colonies. In order to take these factors into consideration we have made the alternative assumption that the British in India and Burma (Myanmar) controlled all foreign trade and the profits on that trade accrued

Table 1: Average Annual Export Surplus Transferred by Europeans and Other Western Businessmen and the British State from India and Burma, 1871-1916

(Figures in £ '000)

Quinquennium	India (Excluding Burma)		India (Including Burma)	
	Gross Margin 20 Per Cent	Gross Margin 25 Per Cent	Gross Margin 20 Per Cent	Gross Margin 25 Per Cent
1871-76	23411	25593	25384	27692
1876-81	20497	22767	23159	25602
1881-86	24273	27072	27445	30461
1886-91	19677	22478	22076	25091
1891-96	23687	26893	27298	30731
1896-1901	22631	24724	26498	28845
1901-06	30912	34665	37140	41286
1906-11	34950	35095	40377	40964
1911-16	38286	44127	46642	53066

Sources: The data on 'Drawings of the Home Government' have been taken from *Statistics of British India*, vol II, *Financial Statistics* (Calcutta, Superintendent of Government Printing, 1918), Table no 44. The data on imports and exports of merchandise and treasure are taken from *Statistics of British India*, Part II, *Commercial*, 1908 and 1913, and *Statistics of British India*, vol I, *Commercial Statistics*, 1918 (all published by Superintendent of Government Printing, Calcutta).

to the Europeans and were eventually transferred abroad. We have also assumed that the 'Home Charges' were by definition transferred out of the revenues of the colony to be spent in London. Then by clubbing these profits and Home Charges together, we can get an estimate of the upper limit on the surpluses transferred out of India and Burma. Such an estimate is presented in Table 2. For these estimates India and Burma have to be grouped together, since the Home Charges came out of the revenues of the British Indian empire including Burma. This is still an approximation, and they may not fully cover the enormous expenditures of the colonial officials and businessmen within the colony.

It may be argued, however, that not all foreign trade was monopolised by the Europeans in the colonies. But as we have argued above, most of it was. In the dependent non-white colonies, most of the so-called invisible earnings of the metropolitan country contained varying elements of (i) a political tribute (often in the nature of self-ransoming as, for example, the principal and interest charges for the British Indian government debt contracted for quelling the so-called 'Mutiny' of 1857-58, or the debt contracted by the Netherlands East Indies government for fighting numerous counterin surgency wars in Indonesia) and (ii) monopoly rents on business from which 'natives' were formally or informally excluded, and in which competition from other competing metropolitan powers was also sought to be minimised [Bagchi 1982: chapters 3 and 4]. In view of this, the export surplus of a dependent colony gives a minimal measure of the transfer of surplus from a colonial country.

Assuming a gross margin of 25 per cent on fob values of exports from India the export surplus remitted from India, excluding Burma, varied annually between £20 million and £24 million from the 1870s to the 1890s and rose to a level of about £38 million by the quinquennium 1911-16. When we assume the gross margin on such exports to be 25 per cent the surplus remitted from India excluding Burma comes to between £ 22 million and £27 million from the 1870s to the 1890s and rises to £ 44 million by the quinquennium 1911-16. Including Burma, and assuming a gross margin on exports of 20 per cent, the annual export surplus remitted by European firms and citizens and the British state from India rises to between £22 million and £27 million for the last 30 years of the nineteenth century, and to £ 47 million for the five-year period 1911-16. With a gross margin of 25 per cent the figures corresponding to the two periods come to between £25 million and £ 30 million and to £ 53 million respectively. By comparing the series of figures of exports (fob) from India with the series of imports from India (cif) into Britain in the late nineteenth century, Banerjee (1990) found, the average difference to be varying between 14.5 per cent and above 40 per cent. Britain was the single most important destination of Indian exports and her share, even after declining over the years, remained above 60 per cent up to the first world war. Moreover, the exports from Bengal ports which were the most important origin of Indian exports were practically monopolised by the Europeans. Exports from the Madras ports were partly consigned by Indian traders, and the latter had a bigger share in the exports from Bombay and Sind. The profits from banking insurance and shipping services on virtually all exports were all monopolised by Europeans, mainly British companies. If we make a reasonable assumption about the share of Europeans and other foreigners in these profits, the export surplus accruing to Europeans from trade and production in British India goes up annually from more than £25 million in the 1870s to more than £50 million in the 1910s. If we compare these figures with those of British foreign investment estimated by Imlah (1958: 70-75), we find that they formed more than half of such investment flows (in fact they exceeded them in some years) up to the 1890s and a very substantial fraction still of British foreign investment in the peak years before the first world war.

As we have indicated earlier, the main reason for lack of Indian entrepreneurship in railways, plantations or jute mills in the nineteenth century was not so much the lack of investible capital in India as their lack of access to the apparatus for exercising political power [Bagchi 1987: Part I, p 358].These companies also secured the guarantee of a minimum rate of interest with very little monitoring by the government and private enterprise was set up with all the risk borne by the public, that is, the totally disfranchised Indian public in this case [Thorner 1950/1977: chapters 6 and 7]. The British virtually never allowed to the non-white natives the kind of private property in land that they had won in their struggle against feudalism. That is, neither property in fee simple nor long leaseholds were allowed to the natives. In India the property was dependent on the prompt payment of annual tax, called rent, to the government. But in areas in which British investors meant to set up tea or coffee plantations, property in fee simple was

Table 3: Estimated Export Surplus (Annual Averages) Generated by Indonesia after Taking European Profits into Account

(Million guilders)

Period	Low Estimate	High Estimate
1871-75	109.4	116.4
1876-80	77.8	85.2
1881-85	89.2	97.0
1886-90	101.0	109.0
1891-95	80.0	88.2
1896-1900	117.6	127.4
1901-05	157.8	170.4
1906-10	221.8	238.2
1911-1914	241.0	260.4

Table 2: Alternative Estimates of Total of Tribute Extracted and Profits Made by Europeans Connected with India and Burma, 1871-1916

(Figures in £ ' 000)

Five-Yearly Average	5 Per Cent Profit on Imports 20 Per Cent Margin on Exports	5 Per Cent Profit on Imports 25 Per Cent Margin on Exports	10 Per Cent Profit on Imports 20 Per Cent Margin on Exports	10 Per Cent Profit on Imports 25 Per Cent Margin on Exports
1871-76	21472	23309	23322	25159
1876-81	24519	26825	26634	28940
1881-86	29223	32085	31946	34808
1886-91	28822	31686	31824	34689
1891-96	28779	31467	31232	33919
1896-1901	28864	31664	31514	34315
1901-06	42907	46837	46661	50591
1906-11	51943	53580	57239	58876
1911-16	52914	58963	59203	65252

Note: The totals have been arrived at by adding the so-called Home Charges charged to the revenues of the British Indian empire, including Burma, to the estimated margins on exports from India, including Burma, and imports into India, including Burma. The imports include net imports of treasure.

Source: The same as for Table 1.

created and the land was given away to the intending planters at absurdly low prices [Bagchi 1992]. As we have seen, in most colonies labour was subjected to various kinds of bondage, often formally authorised by the government or tolerated for the sake of the tribute or smooth governance by the imperial authorities. Even where labour was not subjected to explicit bondage such as Madras under early British authorities, local authorities sought to regulate, that is, depress the wages of labour below what a free market would throw up [Ahuja 1999]. To set up models of working of capital markets with the implicit or explicit assumption of free competition in factor and product markets then appears to be an exercise in fantasy rather than real history [Davis and Huttenback 1986, Temin 1987 and O'Brien 1988 are particularly glaring examples of this genre of writings].

The profits of productive investment in India were only a fraction of the total amount realised by the British. Much of this was the price of protection or self-ransoming exacted form the Indians. For example, in 1893-94 the gross expenditure of the government of India incurred in England came to £ 15.83 million; of this amount military charges amounted to £ 3.61 million, pensions and other charges of civil administration came to £2.11 million, interest on and the cost of management of Indian government debt amounted to £ 2.55 million and only £ 0.35 million can be considered to be on account of purchase of capital goods [Banerji 1982: Table 15]. Interest on debt and other obligations, incurred, for example, in connection with the guarantee of minimum rates of return on private railways amounted to £ 8.25 million. Most of the government debt, other than that incurred for the guaranteed railways was accumulated as payments for self-ransoming over and above the normal revenues. For example as a result of the operation to quell the so-called Indian mutiny, the rupee debt of the British Indian government increased from around Rs 442 million in 1855-56 to Rs 635 million in 1859-60 (the sterling values would be roughly one-tenth of the rupee values during this period). That is to say, the debt and debt charges rose by almost 50 per cent in those five years.

Finally, as far as European private enterprise was concerned, their largest profits accrued from trade in the colonial products rather than from the profits of enterprises set up by them, although by 1913, these also assumed very significant dimensions. These profits are either ignored altogether or grossly underestimated in the usual accounts of benefits of imperialism to the ruling countries [e g, Offer 1993]. The underestimation of the tribute and profits of monopolistically organised trade, finance and processing industries together with acceptance of dubious figures of national income originating from apologetic sources naturally also leads to a gross underestimate of the burden of imperialism on the dependency [as a typical example of this genre of writing, see Foreman-Peck, 1983: 24-27].

Our recalculation of the surplus extracted by Britain from India and Burma demystifies the astonishment expressed by most commentators about the very large proportion British foreign investment formed of its GNP, and the apparently perverse desire of the British to retain an empire which was less profitable than, say, investment in the USA. Pollard (1985) has pointed out that the interest on the estimated portfolio investment by British residents would be enough to more than counterbalance the estimated outflow of private capital from the late 1870s or 1880s. If we take the incomes from foreign payments of all kinds then, even after deducting all British lending abroad and funds taken by British emigrants there would be a large surplus remaining in Britain, except in the peak foreign investment years of 1900-13 when there was a small deficit [Pollard 1985: Table 4]. Our new estimates of unrequited payments made by India very substantially supports Pollard's claims but extends it much further by taking account of tributary payments by India, by far then the most profitable dependency of Britain.

The realisation of the enormous surplus from India, Indonesia and Egypt was an integral part of the mechanism by which the white-settled colonies were populated and equipped and therefore could not be treated as a substitute of that process. It is not necessary to be a functionalist to understand how it came about. It was quite clear from the debate surrounding the issue of whether India should have been allowed to adopt the gold standard in the 1870s and 1880s that most of the British policy-makers and opinion-shapers such as Walter Bagehot and George Goschen were aware of the interconnections between the dependent colony in the East and the land of opportunity for British finance and British migrants in the West [Bagchi 1989: chapter 2 and Bagchi 1997].

Finally, as far as European private enterprise was concerned, their largest profits accrued from trade in the colonial products rather than from the profits of enterprises set up by them, although by 1913, these also assumed very significant dimensions. These profits are either ignored altogether or grossly underestimated in the usual accounts of benefits of imperialism to the ruling countries [e g, Offer 1993]. The underestimation of the tribute and profits of monopolistically organised trade, finance and processing industries together with acceptance of dubious figures of national income originating from apologetic sources naturally also leads to a gross underestimate of the burden of imperialism on the dependency [as a typical example of this genre of writing, see Foreman-Peck 1983: 24-27].

In the case of Indonesia, a large colony of a small European nation, the export surpluses played a very important role in supporting Dutch public finances, Dutch investment and Dutch external balances [Bagchi 1978, 1982: chapter 4, CEI 1976, CEI 1979 and CEI 1987]. In the 1830s, the Dutch introduced the so-called cultivation system which was a way of reducing peasants to the status of government serfs on the land they occupied and extracted most of the revenue as their profit. This was a substantial addition to Dutch resources when the Netherlands was trying to catch up with other European nations which had left it far behind after the Napoleonic wars. From 1878 to 1900 the average annual export surplus of Indonesia increased from about 48 million guilders

Table 4: Burden of Interest Payments on Egyptian Economy 1880-1919

(Figures in E pounds except for the percentages)

Period	Average Annual Interest	Average Annual Government Revenues	Average Annual Exports	Annual Interest as Percentage of Government Revenue	Annual Interest as a Percentage of Exports
1880-89	4,137	11,488	11,871	36	35
1890-99	3,920	11,220	12,575	35	31
1900-09	3,673	14,909	15,769	25	23
1910-19	3,455	20,666	32,908	17	11

Source: Hershlag (1964, p 116).

or about £4 million to about 60 million guilders, and by 1913, it had increased to 207 million guilders or £17.25 million [CEI 1987: Table 1].

Over time, the number of Europeans (predominantly Dutch citizens) working in Indonesia increased at a high rate (since the Dutch were much slower than the British in India to promote 'natives' as officials of higher ranks or accept them as business associates) and so did the earnings of those Europeans. Hence the export surplus become much less useful as an indication of incomes earned by the Dutch in Indonesia. We do have, however, a series of national income calculations, differentiated by origin or citizenship of earners are available from 1921 to 1939 [CEI 1979]. This shows that in 1925, for example, the Indonesian subjects together with 'Foreign Asiatics' (mainly of Chinese origin) earned 4,116 million guilders out of a total Indonesian income of 5,023 guilders, and incomes of Europeans, government export income and incomes of non-residents accounted for the rest. That is, almost a fifth of the national income was earned by non-Indonesians (even discounting for the fact that there is an element of overestimation in the incomes of Indonesian subjects).

Thus between the second half of the nineteenth century and World War I, balances of trade surpluses and politically appropriable surpluses generated by major non-white dependencies (such as India and Indonesia) facilitated European foreign investment, mass migration of Europeans to white-settled colonies, and helped improve wages and standards of living both in the home and the host countries. There are other ways also in which the same chain of unequal interdependence helped improve standards of living in Europe. The period from the 1870s to the end of the 1890s has been characterised as the Great Depression, primarily because of a fall in prices, which was led by the fall in gold prices of agricultural commodities [Saul 1969, and Mitchell and Deane 1976: 471-73]. This in turn was precipitated by the outflow of grain and other agricultural products from the USA, Canada, Argentina and Australia but also from India and other non-white dependencies. While the export stream from the white-settled colonies was generated by extension of transport and acreage of lands emptied of Amerindians or other native peoples, much of the grain or other agricultural products exported from India was pushed out by poverty-stricken peasants having to find money for taxes and necessities in an increasingly commercialised economy. There were other mechanisms such as the enforced absorption of silver – a rapidly depreciating metal – by India and other eastern lands – when most of the European economies adopted the gold standard, following the British and German examples [Bagchi 1979]. This fall in agricultural prices and availability of cheaper grain made a significant contribution to improved nutrition and reduction of mortality rates.

As in the case of India and Burma, we have utilised the basic data on exports and imports to calculate the unrequited export surplus transferred by the Dutch and their metropolitan associates from Indonesia. Table 3 reproduces the results of those calculations

The estimated profit transferred by the Europeans from Indonesia comes to between about 109 million and more than 116 million guilders per year over the period 1871-75, and to between 241 million and 260 million guilders per year over the period 1910-14. Taking a British pound to equal 12 Dutch guilders during this period, the transfer of profit and tribute from Indonesia rose from about 10 million pounds in the 1870s to more than 24 million pounds per year on the eve of the first world war. (The method of estimation and the basic data have been given in the Appendix).

In my earlier writings I had argued that the mainstream economic historians of Europe had not paid the required attention to the contribution made by the exploitation of Indonesian labour and resources to the re-emergence of the Netherlands as an industrialised economy of Europe, after its severe decline in the eighteenth century [Bagchi 1978: 419-20; Bagchi 1982: 71-72]. I had earlier tried to estimate the values of the unrequited export surplus transferred from the dependent colonies of Europe and such informal colonies as Argentina by taking the figures of excess of exports and imports from those countries [Ibid: chapters 3 and 4]. I am glad to see that Maddison (1989) has used essentially the same methods for estimating the amounts remitted by the colonies of India and Indonesia to Britain and the Netherlands respectively. But Maddison has used the official figures of exports and imports without taking into account the profits on exports fob and imports cif made by European merchants. Even then, Maddison comes to the conclusion that income remitted from Indonesia represented a net addition to Dutch domestic product of "about 5 per cent from 1840 to 1870 and…round 8 per cent in 1921-38" [Maddison 1989: 646]. On the other side, according to his estimate, bout 10.6 per cent of the Indonesian domestic product was remitted annually over the period 1921-38 (ibid). There is no reason to think that the degree of exploitation of Indonesians was any less during the nineteenth century: the regular drain of a proportion of income which had been enough to launch most European countries on their road to industrialisation and eventual human uplift would be enough even without the other repressive associations of colonialism would be enough to condemn the Indonesians to the low level of human development at which the Dutch left them after more than three centuries of indirect and direct rule. Maddison's estimates of the amount remitted from India and its proportion to India's national income in the same article are gross underestimates: the surplus is underestimated for reasons I have spelled out above and in the Appendix. The estimates of national income are taken from Heston (1983). These are gross overestimates for the nineteenth century, for, Heston ultimately bases himself on Atkinson (1902). Atkinson, as the Accountant General of India had to defend the government's record against attacks by Indian nationalists such as R C Dutt and Dadabhai Naoroji and liberals such as William Digby. He did it simply by assuming, against the background of the famine holocausts of 1876-79 and 1896-1901 that areas under cultivation and productivity per acre went up in British India in the last 30 years of the nineteenth century. His estimates are no better than the assumptions he started with. Thus we have to treat all of Maddison's estimates of Indian income in his numerous publications with caution although he has tried to give more serious consideration to the issue of the dating and the extent of the economic regression of the ex-colonies of the Europeans than most other mainstream economic historians.

India and Indonesia were, of course, not the only profitable colonies of the European powers in the nineteenth century. The whole of Latin America was virtually an informal dependency of Britain after its formal liberation from Spanish and Portuguese rule down to 1914 and beyond as we have noted elsewhere [Bagchi 1982, chapter 3, Davis 2001: chapters 8 and 12]. British merchants, financiers, mineowners and railway builders and operators earned enormous profits from that informal empire. There were rich pickings from other parts of European dependencies also. One of the richest prizes obtained by the British imperialists in the late nineteenth century was Egypt. That country had been nominally part of the Ottoman empire for a long time. But Muhammad Ali, an Albanian by birth, virtually became an independent ruler in the early part of the century. Realising the advantages the European powers enjoyed because of their early start in industrialisation and their superior military organisation, Muhammad Ali started on a modernisation drive, and tried to build cotton mills and other modern factories under state patronage. However, the signing of the Anglo-Turkish treaty in 1838, enforcing a regime of free trade on the Ottoman empire, including Egypt and the problems of building up viable factory industries in a society of largely illiterate peasants and artisans dominated by landlords and officials ended this early experiment in a forced march to industrialisation in a non-European country [Herhlag 1964, Issawi 1966, and Marsot 1984: esp 236-40]. Muhammad Ali's son Muhammad Said (1854-63), and his successor, Khedive Ismail (1863-79) came under the influence of European bankers. Partly under their influence, Ismail embarked on a series of expensive projects, which pushed the country deeper and deeper into an external debt trap. The Suez canal linking the Red Sea and the Mediterranean was dug during the period of his rule. But its control passed almost at once into the hands of the British who had managed to acquire most of the shares of the canal company, including those which had been originally allotted to Khedive Ismail.Egypt effectively passed into the control of European financial advisers because of the inability of the Khedive to repay his debt.

A group of nationalist army officers led by Arabi Pasha staged a coup in 1881 and took over the government, but in 1882,the British invaded Egypt, and defeated Arabi Pasha. Thus began the chapter of British rule over Egypt. Egypt was valuable for the British rule over India because it lay directly on the route to India, especially after the Suez canal had been excavated. But it was valuable in several other ways. It became a major source of high-quality for the British mills. Between 1878 and 1898, the output of raw cotton grew from 1.7 million cantars (a cantar=50 kilos or 98.1lbs) to 6.5 million cantars in 1897.In 1897-98, the exports of raw cotton from Egypt amounted to 5.177 million cantars [Britannica 1902: 692]. Egypt, like other profitable colonies, also generated an export surplus: for example, in1899, exports amounted to 15.35 million Egyptian pounds and the imports to 11.44 million E pounds [ibid. One Egyptian pound was equal to one pound sterling and six pence in 1902; ibid: 695n.] As in the case of the way Egypt lost first its financial and then its political independence, the subsequent colonial exploitation of Egypt also involved a mechanism of external indebtedness and its servicing. Table 17.4 indicates the burden of interest charges on the Egyptian economy over the period 1880-1919.

Colonial governments often borrowed abroad for purposes which had little to do with the welfare or human development of the subject peoples and then charged the revenues of the colony with the debt-servicing costs. In fact, the cost of conquest of the colony and pacification or counter-insurgency operations was routinely borne by the conquered peoples themselves (again justified as the cost of civilising the natives. For example, the whole cost of suppressing the Indian revolt of 1857-58 was passed on to the budgetary burden of British India). In the period between the two world wars, when the export-earnings of primary producers suffered severely, colonial governments the normal revenues of which were tied closely to exports suffered a decline in normal revenues. But the governments defrayed their expenses by borrowing in metropolitan money markets and the debt-service burdens of the colonial peoples went up tremendously [for illustrative figures relating to Belgian Congo and French Equatorial Africa, see Coquery-Vidrovitch 1985].

When the colonial countries became formally independent the tributary mode of transfer of surpluses ceased to operate. However, underinvoicing of exports, overinvoicing of imports, transfer pricing in various forms were used to siphon off capital from developing countries by both their own nationals and by foreign enterprises. Increasingly, from the late 1970s, embroiling the developing lands in debt has become a favourite method of transferring resources from them. From that point of view the method used in Egypt to extract surpluses abroad from the 1860s provided a foretaste of the future. In the Indian case, the interest on the debt accumulated by the British Indian government had almost from the beginning of British rule (originally in the form of dividend on the East India Company stock) provided a method of extracting and transferring a part of the surplus. But after the first world war as the tribute became less important as a component of the total surplus, the interest on the India debt became more important for extracting and transferring the surplus, and became a powerful argument for pursuing a basically deflationary fiscal and monetary policy throughout the period between the two world wars. Again, those earlier imperial policies throw an interesting light on the current policy stance of the central government today.

Appendix
Method of Estimating Tribute and Profits Realised by Europeans from India, Burma and Indonesia

I have argued earlier [Bagchi 1976a, 1982: chapters 2-4] that in a non-white dependency of a European country, the merchandise export surplus (minus imports of silver and gold) provide a minimal estimate of the tribute extracted by the colonial state and the profits realised by the traders of the metropolitan country and other countries of Europe and the North Atlantic seaboard. This is a minimal estimate because it does not take account of the expenditures incurred within the colonial country by the state apparatus and by the private traders, businessmen and other professionals of the metropolitan country or other Europeans. This is a defensible estimate because the major part of the external trade, shipping, insurance, and banking connected with foreign exchange transactions was monopolised by metropolitan and other European citizens. The export surplus thus estimated takes account of whatever 'foreign investment' takes place in the colonial country, for most of that investment consists of profits ploughed back by the metropolitan businessmen, and the commodity import counterpart of all firms of foreign investment is reflected in the figures of gross imports.

Imlah (1958) and others have generally taken the profits on export trade to be 4.5 per cent or a little more. However, on comparing the figures of export (fob) from India to the UK and import (cif) into over the years 1871-1887, Banerjee (1990) the UK found that they differed by a minimum of 14.5 per cent, and the difference went above 4.0 per cent in some cases. I have taken two different values of 20 per cent and 25 per cent as profit on that part of the Indian export trade which was wholly controlled by the Europeans and 5 per cent on that part of the export trade which may have been controlled by the Indians. This procedure is likely to underestimate the profit made by the Europeans, for even in the cases in which Indians might have been the owners of the exports put on board, the shipping, insurance and banking charges were all controlled by the foreigners. Exports were the major means of transferring profits made on trade, plantations, mines and the crude manufactures the Europeans controlled, and therefore, it does not seem to be unreasonable to regard the very high margins on exports as a species of transfer pricing.

In the Indian case, we have separate figures for exports from the three major ports and their hinterland, Calcutta, Madras and Bombay (including the province of Sind). It is known that the external trade from Bengal and the other parts of the hinterland of Calcutta was virtually monopolised by Europeans. As far as Madras was concerned, apart from the trade with Ceylon (today Sri Lanka), all the external trade was monopolised by the Europeans. In Bombay, Indians had a share in the shipping of some of the produce exported, but that share shrank over the period 1851-1875 and probably did not increase much over the period from 1875 to 1914. The share of exports by Indian shippers of raw cotton to total exports of the commodity to Continental Europe and Liverpool (UK) came to 19 per cent only [Vicziany 1979: Tables III and IV]. Raw cotton was easily the biggest export of Bombay port, and when exports of yarn to China became a big export item, Greaves, Cotton and Co, a British firm emerged as the biggest exporters. So we shall be erring on the side of caution, if we assume that in Bombay (rather, Bombay and Sind) 75 per cent of exports were entirely on the account of European firms. The situation of Indians in exports from Madras and Bengal was even more marginal. Again, erring on the side of caution we assume that Indians controlled 20 per cent of exports from Madras and 10 per cent of exports from Bengal. Suppose we designate the value of exports (fob) from the three regions of Bengal, Bombay and Sind, and as e_a, e_b and e_c respectively. Then the values of exports, after taking the profits of Europeans into account in the three ports will be, if we designate these augmented values by E_a, E_b and E_c respectively, under the two scenarios of 20 per cent and 25 per cent rates of European profit on European-controlled exports (and 5 per cent Europeans export on other exports) as follows.

With 20 per cent profit on European controlled exports:

E_a = .9 (1+.20) e_a+.1 (1+.05) e_a=1.185 e_a

E_b=.75 (1+.20) e_b+.25(1+.05) e_b=1.1625 e_b

E_c=.8 (1+.20) e_a + .2 (1+.05) e_c=1.17 e_c

Total augmented value of exports e_a + e_b + e_c

With 25 per cent profit on European-controlled exports:

E_a = .9 (1+.25) e_a+.1 (1+.05) e_a=1.125 + .1105 = 1.2355

E_b = .75 (1 + .25) e_b + .25 (1 + .05) e_b = .9375 + .2625 = 1.2000

E_c = .8 (1 + .25) e_c + .2 (1 + .05) e_c = 1.000 + .210 = 1.21

(The figures for India relate to the financial year from April to March whereas those for Indonesia relate to the calendar year from January to December).

Most of southern Burma had come under British occupation after the second Anglo-Burmese war of 1852, and the rest of Burma was annexed by the British in the interest of controlling the timber and other natural resources. Burma was administered as part of the British Indian empire down to 1937. So we have also calculated a figure of unilateral transfer of resources from India including Burma: for this purpose we have assumed that the European share of export trade was the same in Burma as in Madras, although in fact, the European share of trade between India including Burma with other countries was probably nearer the Bengal figure assumed above. Table 1 gives the figures of the estimated transfer of resources from India including Burma by taking the figures of unrequited export surplus figures in the two cases.

We have used a second method also for estimating the transfer of resources from India to Britain and other western countries. This uses the values of the so-called

Table A1: Value of Sterling in Rs Per Pound

1871-76	1876-81	1881-86	1886-91	1891-96	1896-1901	1901-16
10.80	12.0	12.05	13.7	16.6	16.0	15.0

Table A2: Augmented Values of Exports from and Imports into Indonesia

(Totals for the periods in million guilders)

Period	Exports (Unaugmented)	Exports Augmented with Multiplier 1.17	Exports Augmented with Multiplier 1.21	Imports (Unaugmented)
1871-75	869	1016.73	1051.49	470
1876-80	935	1093.95	1131.35	705
1881-85	986	1153.62	1193.06	708
1886-90	989	1157.13	1196.69	652
1891-95	1033	1208.61	1249.93	809
1896-1900	1229	1437.93	1487.09	850
1901-05	1514	1771.38	1831.94	982
1906-10	2051	2399.67	2481.71	1291
1911-14	2440	2854.80	2952.40	1650

Source: Data for exports and imports of Inodonesia: *Changing Economy of Indonesia* ed by P Boomgaard, Vol 7, *Balance of Payments 1822-1939*, W L Korthals-Altes, Amsterdam, Royal Tropical Institute, 1987, Table 1.

Table A3: Estimated Export Surplus Generated by Indonesia after Taking European Profits into Account

(Million guilders)

Period	Total with Multiplier 1.17	Total with Multiplier 1.21	Annual Average with Multiplier 1.17	Annual Average .21
1871-75	547	582	109.4	116.4
1876-80	389	426	77.8	85.2
1881-85	446	485	89.2	97.0
1886-90	505	545	101.0	109.0
1890-95	400	441	80.0	88.2
1895-1900	588	637	117.6	127.4
1901-05	789	852	157.8	170.4
1905-10	1109	1191	221.8	238.2
1910-14	1205	1302	241.0	260.4

Home Charges or drawings of the Home government (meaning the British government) plus the profits made by Europeans on imports into and exports from India and Burma. This has been used to derive Table 2. It can be seen that it gives even higher values than the measure of transferred surplus yielded by estimates of unrequited export surplus. Wherever we have had to convert Indian rupees into British pounds we have used the conversion rates given in Table A1.

In the case of Indonesia, we can safely assume that virtually all the exports were handled by European companies at least up to the first world war. But again erring on the side of caution, we assume that the Europeans handled 80 per cent of the exports and 20 per cent was handled by the Indonesians (including those of Chinese origin). Then again, attributing alternatively 20 per cent or 25 per cent profit on European-handled exports and 5 per cent European profit from other exports we get two alternative estimates of exports including European profits. The multipliers of values of exports of merchandise in the two cases are 1.17 and 1.21 respectively (see Table A2 for augmented values of exports and imports from Indonesia, and Table A3 for estimates of export surplus extracted from Indonesia by the major metropolitan powers). EPW

Note

1 We have not tried to give a detailed description of the way the colonial economy of India interacted with the international economy, or the exchange regimes that obtained between the 1870s and the first world war. For discussions of these aspects of the colony-metropolis relationships, see Bagchi (1972: chapter 3), Bagchi (1989: chapter 2), Sen (1992), and Banerjee (1997).

References

Ahuja, R (1999): 'The Origins of Colonial Labour Policy in Late Eighteenth-Century Madras', *International Review of Social History*, 44(2), August, 159-196.

Bagchi, A K (1970): 'European and Indian Entrepreneurship in India 1900-1930' in E Leach and S N Mukherjee (eds), *Elites in South Asia*, Cambridge University Press, Cambridge, 223-56.

–(1972): *Private Investment in India 1900-39*, Cambridge University Press, Cambridge.

–(1972a): 'Some International Foundations of Capitalist Growth and Underdevelopment, *EPW*, VII (31-33), Special Number, August, 1559-80.

–(1976): 'Reflections on Patterns of Regional Growth in India during the Period of British Rule', *Bengal Past and Present*, vol 95, Part I, January-June, 247-289.

–(1982): *The Political Economy of Underdevelopment*, Cambridge University Press, Cambridge.

–(1987): *The Evolution of the State Bank of India: The Roots*, Parts I and II, Oxford University Press, Bombay.

–(1989): *The Presidency Banks and the Indian Economy 1876-1914*, Oxford University Press, Calcutta.

–(1992): Land Tax, Property Rights and Peasant Insecurity in Colonial India, *Journal of Peasant Studies*, 201, 20(1), 1-49.

–(1997): 'Contested Hegemonies and Laissez Faire: Controversies over the Monetary Standard in India at the High Noon of the British Empire, *Review*, XX(I), Winter, 19-76.

Banerjee, D (1990): An Appraisal of the Profitability of the Indo-British Commodity Trade during 1871-1887, *Journal of Development Studies*, 26(2), 243-259.

–(1999): *Colonialism in Action: Trade, Development and Dependence in Late Colonial India*, Orient Longman, Hyderabad.

Banerji, A K (1982): *Aspects of Indo-British Economic Relations 1858-1898*, Oxford University Press, Bombay.

Britannica (1902): 'Egypt' in *Encyclopaedia Britannica*, tenth edition, London, Adam and Charles Black, 686-719.

Cain, P J, and A G Hopkins (1987): 'Gentlemanly Capitalism and British Overseas Expansion', II, New Imperialism, 1850-1945, *Economic History Review*, 2nd series, 40(1), 1-26.

CEI (1979): *Changing Economy in Indonesia*, vol 5, *National Income*, initiated by WMF Mansvelt, and re-edited by P Creutzberg, Royal Tropical Institute, Amsterdam.

–(1987): *Changing Economy in Indonesia*, P Boomgard (ed), vol 7, *Balance of Payments 1822-1939* by W L Korthals-Altes, Royal Tropical Institute, Amsterdam.

Chakrabarty, D (1974): 'The Colonial Context of the Bengal Renaissance: A Note on Early Railway Thinking in India, *Indian Economic and Social History Review*, 11(1), January-March,

–(1989): *Rethinking Working Class History*, Princeton University Press, Princeton, NJ.

Coquery_Vidrovitch, C (1985): 'The Colonial Economy of the Former French, Belgian and Portuguese Zones' in A A Boahen (ed), *Africa under Colonial Domination*, Heinemann for the UNESCO, London, pp 351-381.

Davis, L E, and R A Huttenback (1986): *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism 1860-1912*, Cambridge University Press.

Dumont, R (1986): *False Start in Africa*, London, Andre Deutsch.

Edelstein, M (1982): *Overseas Investment in the Age of High Imperialism: the United Kingdom 1850-1914*, Methuen, London.

–(1994): 'Foreign Investment and Accumulation, 1860-1914' in Floud and McCloskey, (1994: 173-196).

–(1994a): 'Imperialism: Cost and Benefit' in Floud and McCloskey, 1994, 197-216.

Floud, R and D McCloskey (eds) (1994): *The Economic History of Britain since 1700*, vol 2: 1860-1939, Cambridge University Press, Cambridge.

Foreman-Pack, J (1983): *A History of the World Economy: International Economic Relations since 1850*, Harvester Wheatsheaf, London.

Furnivall, J S (1967): *Netherlands India*, Cambridge University Press, Cambridge.

Ghose, S C (1911): *Indian Railways and Indian Trade*, Bose Library, Calcutta.

Gupta, Bishnupriya (1997): 'Collusion in the Indian Tea Industry in the Great Depression: An Analysis of Panel Data, *Explorations in Economic History*, 134(2), April, 155-173.

–(2001): 'The International Tea Cartel during the Great Depression, 1929-1933, *Journal of Economic History*, 61(1), March, 144-159.

Hershlag, Z Y (1964): *An Introduction to the Modern Economic History of the Middle East*, E J Brill, Leiden.

Imlah, A (1958): Economic Elements in the Pax Britannica: Studies in British Foreign Trade in the Nineteenth Century, Harvard University Press, Cambridge, Mass.

Issawi, C (ed) (1967): *The Economic History of the Middle East 1800-1914: A Book of Readings*, University of Chicago Press, Chicago.

Jenks, L H (1927/1963): *The Migration of British Capital to 1875*; reprinted, Nelson, London.

Jog, N G (1969): *The Saga of Scindia*, Scindia Steam Navigation Co, Bombay.

–(ed) (1977): 'Naroattam Morarjee: The Architect of Modern Indian Shipping', Scindia Steam Navigation Co, Bombay.

Kahn, A E (1946): *Great Britain in the World Eco nomy*, Columbia University Press, New York.

Keynes, J M (1909/1971): Recent Economic Events in India, *Economic Journal*, March; reprinted in *The Collected Writings of John Maynard Keynes*, vol XI, *Economic Articles and Correspondence: Academic*, edited by D Moggridge, Macmillan, 1-22, London.

Marsot, A L A (1984): *Egypt in the Reign of Muhammad Ali*, Cambridge University Press, Cambridge.

Nurkse, R (1961): *Patterns of Trade and Development*, Blackwell, Oxford.

O'Brien, P K (1988): The Costs and Benefits of British Imperialism 1846-1914, *Past & Present*, no 120, August, 163-200.

–(1999): 'Imperialism and the Rise and Decline of the British Economy, 1688-1989, *New Left Review*, no 238, November-December, 48-80.

Offer, A (1993): 'The British Empire 1870-1914: A Waste of Money, *Economic History Review*, vol 46, 215-238.

Pandit, Y S (1937): *India's Balance of Indebtedness 1896-1913*, Allen & Unwin, London.

Pollard, S (1985): 'Capital Exports, 1870-1914: Harmful or Beneficial?' *Economic History Review*, 2nd series, 38(4), November, 489-514.

Saul, S B (1960): *Studies in British Overseas Trade 1870-1914*, Liverpool University Press, Liverpool.

Sen, Sunanda (1992): *Colonies and the Empire: India 1890-1914*, Orient Longman, Hyderabad.

Simon, M (1968): 'The Pattern of New British Portfolio Foreign Investment, 1865-1914' in A R Hall (ed): *The Export of Capital from Britain 1870-1914*, Methuen, London.

Temin, P (1987): 'Capital Exports, 1870-1914: An Alternative Model, *Economic History Review*, 2nd series, 40(3), August, 453-458.

Thorner, D (1950/1977): *Investment in Empire: British Railway and Steam Shipping Enterprise in India 1825-1849*; reprinted, Arno Press, New York.

Vicziany, M (1979): 'Bombay Merchants and Structural Changes in the Export Community 1850 to 1880' in K N Chaudhuri and C Dewey (eds), *Economy and Society: Essays in Indian Economic and Social History*, Oxford University Press, Delhi, 163-196.

Washbrook, D (1981): Law, State and Agrarian Society in Colonial India, *Modern Asian Studies*, 15(3), 649-721.

Woodruff, W (1966): *The Impact of Western Man: A Study of Europe's Role in the World Economy 1750-1960*, Macmillan.