The effect of Battle of Plassey(1757) and the Industrial Revolution on India's trade relations with Britain

Colonialism in India, as a historical phenomenon, was as modern as industrial capitalism in Britain. The historical process that led to colonial integration of India with world capitalist economy inevitably led to the underdevelopment of India, or "the development of underdevelopment." Above all, Indian economy and her social developments were completely tied to the British economy and social development.

Q.1.How did the Battle of Plassey affect company's commercial relations with India?

After the Battle of Plassey in 1757, the company's commercial relations with India underwent a major change.i.e. the company could use it's political power now to expand it's trade interests.

It used the revenues of Bengal to finance it's British export of Indian goods.
The company eliminated it's rival traders both Indian and foreign and prevented them from offering high prices or labour to the Bengal handicraftsmen.
The labour was compelled to work for low wages and prevented from working for Indian traders.
The servants of company monopolised the sale of raw cotton themselves and made the Bengal weavers pay a heavy price for it.
In addition, the Indian cotton was subjected to heavy duties in Britain itself to protect it's machine based industry that was at a nascent stage.
Even after all this Indian goods still held some ground. This changed in 1813 when the Indian handicraftsmen lost not only their foreign markets but the domestic markets as well.

By the Charter Act of 1813, the Company's commercial monopoly was ended, except for the tea trade and the trade with China.

Q.2.What led to the social and economic transformation of Britain in the second half of the 18th century?

Industrial revolution is the answer in a single word.

What led to this development:

British overseas trade had been expanding rapidly in the past decades as the british had come to capture many foreign markets and monopolise trade with many others by war and colonialism.This led to a rapid development of the export-oriented industries.
There was also sufficient capital accumulated in the country for investment in new machinery and factories. Moreover, this capital was not in the hands of the feudal class which would have wasted it in luxury but in the hands of merchants and industrialists.
The rapid increase in population provided for cheap labour.
The government in Britain was under the influence of commercial and economic interests which fought for markets all over the world.
The demands of increased production was met by rapid development of technology and machinery.
Q.3.What were the Basic features of the colonial structure in India?

There were four basic features of the colonial structure in India.

1.Integration of the Indian Economy with the World:

Colonialism led to the complete but complex integration of India's economy with the world capitalist system but in a subservient position.

Since the 1750s, India's economic interests were wholly subordinated to those of Britain. This is a crucial aspect, for integration with the world economy was inevitable and was a characteristic also of independent economies.

2.Second, to suit British industry, a peculiar structure of production and international division of labour was forced upon India.

It produced and exported foodstuffs and raw materials—cotton, jute, oilseeds, minerals—and imported manufactured products of British industry from biscuits and shoes to machinery, cars and railway engines.

This feature of colonialism continued even when India developed a few labour-intensive industries such as jute and cotton textiles. This was because of the existing peculiar pattern of international division of labour by which Britain produced high technology, high productivity and capital-intensive goods while India did the opposite. The pattern of India's foreign trade was an indication of the economy's colonial character

3.Net Savings or Economic Surplus:

Basic to the process of economic development is the size and utilization of the economic surplus or savings generated in the economy for investment and therefore expansion of the economy. The net savings in the Indian economy from 1914 to 1946 was only 2.75 per cent of Gross National Product (GNP) (i.e., national income). The small size may be contrasted with the net savings in 1971–75 when they constituted 12 per cent of GNP.

The reasons were manifold.

A large part of India's social surplus or savings was appropriated by the colonial state and misspent. Another large part was appropriated by the indigenous landlords and moneylenders. According to another estimate, princes, landlords and other intermediaries appropriated nearly 20 per cent of the national income.
Only a very small part of this large surplus was invested in the development of agriculture and industry.
The 'Drain', that is, the unilateral transfer to Britain of social surplus and potential investable capital by the colonial state and its officials and foreign merchants through excess of exports over imports. India got back no equivalent economic, commercial or material returns for it in any form.
4.The fourth feature of colonialism in India was the crucial role played by the state in constructing, determining and maintaining other aspects of the colonial structure.

India's policies were determined in Britain and in the interests of the British economy and the British capitalist class.
An important aspect of the underdevelopment of India was the denial of state support to industry and agriculture. This was contrary to what happened in nearly all the capitalist countries, including Britain, which enjoyed active state support in the early stages of development.
The colonial state imposed free trade in India and refused to give tariff protection to Indian industries as Britain, western Europe and the United States had done. After 1918, under the pressure of the national movement, the Government of India was forced to grant some tariff protection to a few industries. But this was inadequate and ineffective.

Moreover, since the 1880s, the currency policy was manipulated by the government to favour British industry and which was to the detriment of Indian industry.
As pointed out earlier, a very large part of India's social surplus was appropriated by the colonial state, but a very small part of it was spent by it on the development of agriculture or industry or on social infrastructure or nation-building activities such education, sanitation and health services. The colonial state devoted almost its entire income to meeting the needs of British Indian administration, making payments of direct and indirect tribute to Britain and in serving the needs of British trade and industry.
The bulk of public revenue was absorbed by military expenditure and civil administration which was geared to maintenance of law and order and tax collection.
The Indian tax structure was highly inequitable. While the peasants were burdened with paying a heavy land revenue for most of the colonial period and the poor with the salt tax etc., the upper-income groups—highly paid bureaucrats, landlords, merchants and traders—paid hardly any taxes. The level of direct taxes was quite low.. It was under the pressure from the national and peasant movements that the land revenue and salt tax started coming down in the twentieth century