‘Britain Would Collapse If It Tried to Pay Back the Money It Drained From India’

Britain drained more than 9 trillion pounds from India over 173 years, says economist Utsa Patnaik.

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Britain would collapse if it tried to pay back the money it drained from India, eminent economist ***Utsa Patnaik*** *said at a conference at Jawaharlal Nehru University, New Delhi on Wednesday.*

Delivering the inaugural lecture at the three-day Sam Moyo Memorial Conference on “Land and Labour Questions in the Global South”, Utsa Patnaik said that the estimated drain from India to Britain over the period from 1765 to 1938 was a whopping 9.184 trillion pounds, several times the size of the UK’s GDP today.

Patnaik, who is Professor Emerita at the Centre for Economic Studies and Planning (CESP), JNU, said that the policies followed by Britain during its colonial rule in India were so disastrous that per capita food grains availability in India declined drastically from 197.3 kg per year in 1909-14 to 136.8 kg per year in 1946.

This was because the system was strongly income-deflating (reducing the purchasing power of the people), which enabled the squeezing out of export goods from a poor population. The result was a fall in per capita food availability and declining nutritional intake.

In India, just as also happened in many countries in the Caribbean, local producers were set to work to produce commodities – particularly primary commodities which the colonial powers could never produce themselves in their home countries. The colonial powers then proceeded to appropriate these commodities.

In the Indian case, this appropriation took the form of getting Indian peasants and labourers to produce an enormous global export surplus which earned gold and foreign exchange.

> “But the whole of this global export surplus earnings disappeared into the account of the Secretary of State for India in London. Not a penny of it, of sterling or financial gold, was allowed to flow back to the colonised country. Then how did the producers get paid? Very clever. They got paid out of their own taxes!” said Patnaik.

Surplus budgets were being operated systematically in British-ruled India for the best part of 200 years.

> "When you tax a population and you do not spend all the taxation within the country, but you set aside a third or more for purchasing export goods, the operation of such surplus budgets deflates mass incomes. It puts a tremendous squeeze on the peasantry."
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> "No country in the world today in the Global South has a per capita food availability as low as the level India had reached by the year 1946."

The amount of wealth drained out of India by Britain can be calculated by estimating the present value of the commodity export surplus – the estimate of 9.184 trillion pounds has been arrived at by calculating the present value at a relatively low 5 percent interest rate.

Branko Milanovic talks about the ethics of global north to the global south.

> "He says Britain should return the money it drained from India. But the fact is that this is impossible. Britain would collapse; it does not have the capacity to pay even a fraction of what it drained over 200 years."

Income deflating policies have resulted in food availability in India declining

The main form that the neo-imperialist policies of income deflation which are current today are taking is contractionary fiscal policy supported by a whole range of other measures to attack small and middle scale agricultural production.

For example, the share of rural expenditure in capital expenditure by the centre and states combined has declined sharply since mid-1990s, as Praveen Jha has shown.

The growth rates of public development expenditure by the centre and the states saw a very sharp contraction in the first half of the 1990s. That was when the structural adjustment and income-deflating programmes were coming in, in a very strong way under Dr. Manmohan Singh. It subsequently went up, but even as late as 2000-05, the growth rate was lower than it was during the 1980s. Then it shoots up from 2005-06 to 2010-11, because of the impact of the global economic crisis and the enormous rise in food prices. Again, in 2010-11 to 2014-15, when Chidambaram was the Finance Minister, he pulled back very sharply, and the growth rate of central expenditure again declined sharply. When you have this kind of income deflating policy, the people will be forced to cut back on their food expenditure and their nutritional standards will come down.

In the pre-reform period, the food grain availability was rising, with fluctuations – it increased from about 452 grams per capita per day in 1972 to 494 grams per capita per day in 1990. But with the onset of neoliberal reforms, more land was diverted to grow export-oriented crops, and trade was liberalised, while fiscal compression reduced employment and incomes of the mass of the population. There was a withdrawal of government support for procurement at minimum prices. As a result of all these, there has been a steep decline in food availability in the recent decades – it stood at 447 grams per head per day in 2013.

This has occurred in spite of production increasing.

When income deflation is very severe, even when output is going up, demand will not go up in proportion because there is income deflation and purchasing power is being compressed. So stocks will build up, and there will be huge exports, with correspondingly lower food availability for the domestic population.

> "The per capita supply of cereals in India as of 2011 was 176.5 kg per year, which is the level we had before World War II. And this is the lowest in the world, taking large regions," Patnaik said.

The three-day conference is being held in memory of **Sam Moyo**, leading African scholar who passed away in a car accident in Delhi on 21 November 2015. He was the founder and executive director of the African Institute for Agrarian Studies. An authority on agrarian issues, Moyo was a progressive activist and a powerful voice in support of the land reform process in Zimbabwe.

Papers on a wide range of topics touching the land and labour questions are being presented at the conference, hosted by the Centre for Informal Sector and Labour Studies, JNU.

The future of the development project

Jayati Ghosh, Professor at CESP, JNU, delivered a Special Lecture at the conference on Wednesday evening, on "Global instability and the development project: Is the 21st century different?"

Global capitalism has been characterised by instability and stagnant growth in the recent years, she said. Much of the global growth during 2009-17 has been largely due to China and the US, while Europe's net impact has been negative.

Developed countries are not providing a net demand stimulus to the global economy, as they are running current account surpluses or smaller deficits than earlier, with Europe increasingly responsible for global current account surpluses.

So far only the East Asian Newly Industrialising Economies such as South Korea and Taiwan have been able to close the absolute income gap with advanced countries, not China, South-East Asian countries or Latin American countries.

The recent recovery in developing countries is built on huge amounts of debt, while the developed countries have brought down their debt levels.

What about China?

China's share of world trade has gone up enormously in the recent decades. Its real GDP increased by 33 times between 1978 and 2015. The Chinese growth miracle has been based on very high investment rates, directed credit and state control. But the recent Chinese growth is heavily based on debt. China is rebalancing now with reduced investment rates and reduced economic growth rates. But as a result, Chinese imports have come down more than exports. This rebalancing could be bad news for the rest of the developing world if it reduces the demand for their exports.

To revive the development project today, it is essential to recognise that the obsession with exports is no longer useful. Export-led growth is reaching its limits; the focus should be on wage and employment-led growth. Asset and income inequality have to be addressed, more revenues have to be raised from direct taxation. Capital and labour markets have to be regulated, and finance has to be controlled to prevent crises, reduce vulnerability and to direct credit to priority activities, Jayati Ghosh said.

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