

useful only for parsimonious use of words the same explanation would be possible without using it.

Readers will be easily able to recognize that one feature of the author's analysis lies in the dualistic viewpoint. After clearly distinguishing outsiders' cognition or understanding and villagers' cognition or self-identification, he tries to consistently compose united image from both cognitions. In this connection, he says "social divisions in Indian society most clearly follow both objective and subjective criteria; they involve both stability and strain, both cooperation and conflict. The problem is not whether one or the other kind of influence prevails but how much of each exists and under what circumstances." (pp. 662-63)

There is a problem of how to draw out general trends or a common character from the individual village surveys. This is due to the fact that each village in India is, as is well known, quite different from the other, even though they may be neighboring villages. A prominent Indian sociologist cynically says that in the beginning every sociologist talks modestly about "my village" surveyed by himself, in the meanwhile he tells about "my region," even "my state," then he talks boldly about India as a whole only on the basis of "my village." The more the number of villages surveyed increases, the more important the comparative examination. In this connection, Joseph E. Schwartzberg's and Pauline M. Kolenda's works in *Structure and Change in Indian Society*, ed. Milton Singer and Bernard S. Cohn (1968), are suggestive. But the reader cannot expect a detailed examination of this point in this book. Generally it seems that Prof. Mandelbaum avoids mentioning methodological controversies and theoretical debates.

We may say that hereafter anyone who wants to study Indian village society cannot ignore this work. Already many data on Indian villages have been accumulated in the fields of social sciences other than sociology and anthropology. The village survey reports of the 1961 census, reports of National Sample Survey, and many village survey reports written by agricultural economists are also useful for the study of Indian rural society. Therefore it is desirable to examine these reports comparing with sociological and anthropological studies. In this way, it will become possible to promote interdisciplinary studies of the Indian village. Some parts would be able to be cut without harming the content of this work due to repetition. The bibliography listed in the end of this book will be very useful for the scholar. (Masanori Koga)

Private Investment in India 1900-1939 by Amiya Kumar Bagchi, Cambridge, At the University Press, 1972, xi+482 pp.

This monograph was published by the Syndics of the Cambridge University Press in association with the Cambridge University Centre for South Asian Studies. Amiya Kumar Bagchi is a professor at the Presidency College, Calcutta.

The book is composed of two parts, general-theoretical framework and studies of major industries. Part 1 takes up the influence of macroeconomic factors on the fortunes of private investment. Part 2 discusses the major manufacturing industries one by one to find out which factors are specific to those industries. It is to be noted

that, in this study, modern industry in India means private industry, except for a few ordnance factories and pigmy-sized demonstration factories.

Looking at the title of this monograph, *Private Investment in India 1900-1939*, one supposes that it is the outcome of research in the economic history of twentieth century India up to the outbreak of World War II. This is partly true, because one is able to acquire detailed knowledge of the development and vicissitudes of important industries during that period. However, it would be too hasty to conclude that one can read this work only in the context of economic history. The author of this book is trying to give us an understanding of complex phenomena in the industrial development in India based on the framework of his theoretical economics. This attitude toward the subject is one of the characteristics of the book.

Bagchi puts special emphasis on the demand side of the economy in analyzing the causes and effects of private investment in India during the period. He refutes the supply-oriented hypothesis to explain low investment rates. What matters is, "the attitude of the government to industry and the operational content of government policy towards industry." (p. 5) In India under British rule, the attitude of the government on tariff protection was the determinant factor. On this assumption he divides the period into two epochs according to changes in tariff protection policy.

Up to 1914, there was virtually completely free trade as far as imports into India from other countries were concerned; there was during the First World War some increase in import duties and a shortage of shipment, making trade between India and the rest of the world much less free than before; then in 1923, the Government of India adopted the policy of discriminating tariff protection towards Indian industries, which clearly marked the end of the era of free trade, and the beginning of the epoch of growth of industry under tariff protection. (p. 5)

He attempts to substantiate the broad thesis that, "before World War I, it was the governmental policy of free trade, and after the war it was general depression in the capitalist system combined with the halting and piecemeal policy of tariff protection adopted by the Government of India, that limited the rate of investment in modern industry." (p. 19)

In the above-mentioned thesis the answer to the following question (the central theme of the book) is put rhetorically. What were the factors which resulted in the "puzzling fact" that "India was one of the first Asian countries to experience the influence of industrialism and yet, in the words of K. Davis, never completed the transition; whereas Japan, starting later and starting with fewer resources, did complete it."¹ (p. 4) I share with him this question on the industrial development of India. Bagchi points out that between 1901 and 1941, the growth rate of total agricultural production and the growth rate of industrial production were both low. The failure of the industrialization process to move at an appreciable rate is reflected in the relative stability of the occupational structure; the share of industrial workers in the total working force underwent hardly any change. As far as government tariff policy is concerned, I further agree on the point that during these years the tariff policy pursued by the government is one of the keys to understanding the sluggishness of industrial development. He gives a greatly detailed clarification in Part 2 of the effect of the discriminating tariff on major industries, such as cotton, jute, iron and steel, private engineering, cement,

¹ K. Davis, *The Population of India and Pakistan* (Princeton, N.J.: Princeton University Press, 1951), p. 214.

sugar, and paper. This analysis helps to explain the effect of the tariff policy on these industries from the demand side of the economy. The author's analysis of the supply of unskilled labor of the rather neglected industries such as cement, paper, and sugar and of the establishment of a statistical framework on major industries is an important contribution to the study of Indian economic history. The case of TISCO (TATA Iron & Steel Company) is an example of his minute scrutiny into the evidence given before the Indian Tariff Board. This case clarifies the deep dependence of TISCO on the Government of India, sometimes at the sacrifice of profitability. I pointed out in a paper of mine² that not only the prospect of profitability but also its military significance made it possible for TISCO to meet the difficulties which it had faced. However, Bagchi attaches much more importance to the military considerations of the Indian Government than I had expected. His interpretation seems persuasive as far as the iron and steel industry of that time is concerned.

Fundamentally agreeing with his conclusions on tariff policy, I should like to question his framework.

First, there is the question of Bagchi's applying his theoretical framework to Indian economic development. Refuting the so-called lack of capital theory, he states, as follows:

If industrial growth is limited by the lack of capital, we would expect this to be reflected in balance of payments crises and in internal inflation which cannot be attributed primarily to external causes. Neither of these developments came about during the period in question. With the sole exception of several years . . . India had a surplus in the balance of trade and in the balance of payments throughout the period under consideration. Again, apart from several war and post-war years, there was little inflation in India which could not be attributed primarily to impulses transmitted from abroad. (p. 23)

As far as the balance of trade and the balance of payments are concerned, there is a remarkable contrast between the period under study and that of independent India. Since independence, India has full autonomy in tariff policy in the true sense of the word. The obstacles which inhibited the expansion of demand due to tariff policy were removed. It is true that since then India has made great strides in industrialization particularly in heavy industry. However, India has faced great difficulty since the middle of the 1960s in moving its industrialization forward. In this case, is it possible to explain the causes of the new situation through the author's "lack of demand" framework? I am inclined to place certain limits on the application of the theoretical framework of "lack of demand" to the sluggishness of Indian industrialization under British rule if lack of demand exclusively concerns tariff policy. In other words, we have to find something in common between the difficulties during 1900-1939 and those after independence. A hot question among Japanese students on the economic history of India is how to best understand the "primitive accumulation"³ of capital in India. For example, Prof. Kondō (Ōtemon Gakuin College) has recently offered the view

2. M. Shimizu, "Shokuminchika no Indo tekkōgyō" [Iron and steel industry in India under colonial rule], *Ajia keizai*, Vol. 11, No. 10 (October 1970).

3. According to Marx, "The so-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production . . . the expropriation of the agricultural producer, of the peasant, from the soil is the basis of the whole process. . . . The capitalist system presupposes the complete separation of the labourers from all property in the means by which they can realize their labour" (Karl Marx, *Capital*, Vol. 1 [New York: Modern Library], pp. 785-87).

that throughout the colonial period India failed to accomplish its "primitive accumulation" of capital. Though he does not explicitly extend this assertion to present-day India, it seems a natural conclusion that until now India has failed to achieve a primitive accumulation of capital. Certainly British tariff policy obstructed industrial development and retarded capital accumulation. However, the imperial policy of Britain should be viewed in its entirety; the preservation of a semi-feudal agricultural system should be taken into account in order to more accurately understand the "supply-side."

The author refers to the difficulties of the small peasant in northern India. The small peasant could not meet sugar cane demand because generally he was too poor to do so without loans. He borrowed from the money-lender, trader, landlord, or from the mill-owner. His indebtedness made him subject to pressures which weakened his competitive position. (pp. 373-74) This indebtedness itself often reflected the semi-feudalistic relations with the landlord, one of the major hindrances to the development of productive capacity.

At the same time, it is not made explicit as to what the author thinks of the so-called drain theory a sort of theoretical explanation for the national movement of that time. It is generally accepted now, that India played a vital role in making up the deficit of Great Britain's balance of trade particularly from the end of the nineteenth century. India was forced, pressured by British interests, to always produce a surplus in the balance of trade with other countries except Britain. That surplus flowed into Britain in the form of interest and dividends on securities invested in India. This "forced surplus of the balance of trade" mechanism should be taken into account if the author tries to substantiate the "lack of demand" theory.

Secondly, it is not clear as to why the author has picked this period as his theme of study. The period under study is of course very important if one wants to understand the economic foundations which led India to independence. His interest seems to lie not so much in a historical breakdown of the period of Indian economic development as in an adaptation of his theory of development economics to Indian economic history during the period. Recalling the famous work by the late Dr. D. R. Gadgil, *The Industrial Evolution of India in Recent Times, 1860-1939*, brings to mind meaningful divisions of the period from the middle of the nineteenth century up to 1939.

D. R. Gadgil divides the period in his study according to the fluctuation of business activity. Bagchi does not explain why the year 1900 was picked as the starting point of his study. I would rather prefer to start the period at the end of the nineteenth century Great Depression of world capitalism. The nomination of Lord Curzon as Viceroy of India in 1899 indicated certain changes in British industrial policy toward India in the sense that the change meant a sort of impetus, though limited, to Indian industrialization.

Thirdly, he succeeds in elucidating the character of the Indian bourgeoisie of this period. Since World War I, British rulers were persuaded to grant certain economic concessions to privileged Indians, in particular, Indian businessmen. Bagchi seems surprised that articulate Indian opinion on economic policy was so little ahead of British economic policy in India after World War I and the demand for greater state patronage for industries and a measure of industrialization through private enterprise was never more persuasively argued by any Indian publicist after Ranade. He rightly points out that one can see, in retrospect, that measures which might have sufficed when major competitors of Britain—Prussia, France, the U.S.A., and Japan—were just beginning industrialization would not suffice when these capitalist countries were already advanced

on that road. Indian business and public opinion were often voicing caution in economic policy, although "During the economic depression of the 1930s, more and more politicians and publicists began to talk or write about economic planning." (p. 427) Indian economists and politicians, he stresses,

for all practical purposes remained . . . imprisoned by some of the basic presuppositions of the British imperial system even after the First World War: [that is,] a capitalist order of society, international collaboration between capitalists of all countries, avoidance of drastic social changes and respect for the fundamental rights of property. No major social forces, landlords or industrial workers, emerged to challenge these basic presuppositions effectively. (p. 428)

In this remark, it is noteworthy that any other social force beside business could not effectively challenge hegemony in economic and social policy. He explains the contradiction of interest, which was observed, for example, in the industrialization of India, particularly at the beginning of industrialization until the triumph of capitalist over landlord as follows. "The opposition of landlords or capitalist farmers to tariff protection could not be absolute, for (a) they often invested in industry, and (b) in a time of depression, the protection of an industry depending on an agricultural raw material could benefit the producers . . . of such materials." (p. 427)

The above depicted character of the Indian bourgeoisie is a key to understanding the role they played in leading the national movement. I believe those characteristics of the Indian bourgeoisie helped them to lead this movement in spite of the fact that the capitalistic *uklad* is second to the principal semi-feudalistic agricultural *uklad*. However, the question of why Indian industrialists were confined within the framework of British financial orthodoxy remains to be answered. In order to preserve India's usefulness as a source of scarce foreign currency for the British Empire, India was always forced to yield an export surplus and to keep the external value of the rupee at 1s. 6d. There were some complaints from Indian businessmen, but their views never went beyond mercantilist platitudes.

Finally, I was greatly impressed with the ardor the author shows in trying to find the real causes of retardation of Indian industrial development. He often refers to "prejudice" against Indians as one of the hindrances to Indian industrialization. I believe his passion is derived from his fervent patriotism. The monograph was written by making an extensive survey of primary sources, particularly the voluminous testimony given before the Indian Tariff Board, in both India and Great Britain. In this sense this monograph will be useful for further study of Indian economic history from the beginning of the century to World War II. It is useful, too, that his assertions are challenged by other interpretations and theoretical works on the period's economic history. (Manabu Shimizu)