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ECONOMIC HISTORY SANS ECONOMICS: ANEXAMINATION OF THE CRITICISMS OF THE DRAIN THEORY

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Abstract:
Mainstream economic history writing does not recognize the role of colonial transfers in Britain's industrialization and its subsequent rise to the position of the pre-war capitalist world's industrial and financial leader. They are therefore also dismissive of the validity of the Drain theory which identified the tax-financed nature of transfers from India to Britain. A closer examination of the mainstream economic historians' criticisms of the Drain theory reveals that they are based on obfuscation and questionable economics.

Keywords: colonialism, colonial transfers, Drain theory, tax-financed transfers

1.1 INTRODUCTION:

Mainstream economic history literature explains Britain's industrial revolution, its rise as the world's industrial and financial leader and the evolution of global capitalism as entirely endogenous self-driven processes with almost no reference to the role of colonialism and colonial transfers. In the limited acknowledgement where it exists, the role of colonies has been limited to serve as a source of raw material or as a market for British exports.

In the Indian context, the Drain theory put forward by Dadabhai Naoroji and R.C. Dutt identified and explained in detail the transfers out of India's budgetary revenue that took place annually and the debilitating effects it had upon the colonised economy. The drain theory which formed the cornerstone of the Indian nationalist movement identified the tax-financed nature of the transfers and was also the earliest attempt to estimate the size of the transfers. In

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mainstream economic history writing, since colonial transfers find no mention and the relevance of the Drain theory is out rightly rejected in this paper, we examine the validity of some of these mainstream arguments and criticisms.

1.2 THE DRAIN THEORY – A SUMMARY OF THE ARGUMENT:

The essence of the Drain theory was that the British regime set aside a large proportion of India's tax revenue every year for expenditure in the home country and marked a departure from earlier regimes which spent locally raised revenue only within areas of their rule. The early nationalists Dadabhai Naoroji (1901) and R.C. Dutt (1902, 1904) highlighted the distinct feature of the colonial economy characterised by the linking of its internal budget with its external accounts which facilitated the transfers - possible only on account of India's colonial status and completely unheard of in sovereign economies. This linking of India's internal tax revenue with its trade accounts remained unsevered during the entire duration of the British colonial regime, keeping intact the tax-financed nature of the transfers, although the mechanism through which the transfers were effected underwent a change after a while.

The acquisition of Dewani rights of Bengal in 1765 has bestowed the control of taxation revenue raised from a population that was four times the size of Britain in the hands of the East India Company. Apart from using this revenue to finance its battles within and outside India, the Company also set aside a portion of the tax revenue and the tribute collected from the prices of conquered areas as 'investment'. This amount was used to pay for India's exports to Britain, which in plain terms meant that Indian producers of export goods were paid out of their own taxes and therefore remained unrequited in practical terms. The use of India's taxes to pay for Britain's imports silenced mercantilist critics back home since its trade with India which incurred an outflow of £30,000 in bullion and specie was now costless. Further, after retaining a part for domestic use, a large portion of these imports was re-exported to the rest of the sovereign world where they were in great demand and in turn gave Britain access to essential temperate goods such as timber, food grains and naval supplies that were inadequately produced at home as well as a range of other consumption goods such as wine, fabrics, etc, all done without shelling out a single penny. Re-exports played an important role in the British economy right from the seventeenth century until the beginning of the First World War, enormously diversifying Britain's export basket. Nearly four-fifths of the re-

exports consisted of tropical goods, the demand for which was elastic while the demand for British domestic exports was inelastic. Patnaik (2006) shows that by the early years of the 19th century, re-exports value had increased nearly two and half times from its 1765 level and amounted to nearly two-thirds of domestic exports.

This practice of effecting the transfers via costless imports continued until the Charter Act of 1813 which ended the Company's trade monopoly with India. The Charter Act of 1813 which opened up trade with India for other private agents resulted in a threefold increase in Indian commerce initially. But, soon enough, this was also followed by a complete reversal in the character of Indian trade. With Britain's own textile industry churning out cotton manufactures, the search was for markets. India was made to perform the function of a market to absorb the increasing production of machine produced textiles flowing out of the mills of Lancashire and Manchester.

This created a problem for Britain in realizing its tribute from India in the form of unrequited imports. But India's export basket which had hitherto comprised mainly textile manufactures was transformed after a process of commercialization of its agriculture and now primarily comprised agricultural produce and fetched increasing exchange earnings from all over the world. To ensure the continuous flow of tribute, Britain's focus shifted on taking over for its own use, India's growing export surpluses earned from its trade in agricultural products.

A specific bill of exchange termed as the Council Bill was introduced for this purpose in 1861. Foreign importers of Indian goods were required to pay for these goods in gold, sterling or other currencies by purchasing Council bills from the Secretary of State in London. These Council Bills, cashable only in rupees, were then sent to the Indian exporters who deposited the bills in exchange banks in India and were given rupees out of sums earmarked in the Indian budget as 'expenditure abroad'. This effectively meant that Indian producers were paid out of their own taxes and the old system of using taxation revenues to pay for export goods just underwent a slightly more complex financial guise. Patnaik (1984) presents a diagrammatic exposition of this link between the taxes Indian producers contributed to the budget, their export surplus earnings which stayed in London, while they were paid out of their own tax contribution using the Council Bill. The Council Bill enabled the conversion of the tax revenue collected in rupees to sterling to meet the British government's demands on the Indian

revenue for expenditure outside India. Such use of budgetary funds, which is not found in any sovereign country, is the essential feature of the drain.

With the Council Bill mechanism crediting the colony's merchandise export surplus entirely to the account of the Secretary of State for India in London the accounting procedure for carrying out the transfer of these foreign exchange earnings to Britain involved the imposition of compulsory invisible political charges imposed upon the colony (of which the Home Charges was the main component) that were included in rupees under the 'Expenditure Abroad" part of the budget, and the same items were designated in sterling on the external account, as the Invisibles that India owed to Britain. Of the total invisibles, only a small share was 'normal' such as British financial and shipping services which India would have had to pay for on par with all other sovereign nations and the major share comprised 'abnormal' politically determined charges or pure 'tribute'. The colony's fluctuating for ex. earnings only provided a floor and not the ceiling to the extent of administered invisibles imposed, and more often than not, these charges exceeded the surplus on the merchandise account, thereby leaving the current account always in deficit and India perpetually in debt.

In his pioneering work titled, 'Poverty and Un-British Rule in India' which contained his writings over the preceding four decades, Naoroji (1901), argued that the drain of wealth from India had two interconnected aspects, internal – via diversion of tax revenue for financing the interests of the British empire and external – via unilateral transfers of India's merchandise export surpluses to Britain, under 84 various heads chargeable to India only by virtue of its colonial status. The absence of an explicit articulation of the linking of India's tax revenue with its export earnings in his writings, mainly due to the limited macroeconomic concepts at the time has been overcome in Patnaik (2017) where she explains lucidly the link between the budget and the external accounts using modified macroeconomic identities of a sovereign economy. Dutt (1902, 1904) in his two-volume history of British India from 1757 to the beginning of the twentieth century detailed the various mechanisms through which the drain was carried out and through a comparison of India's tax revenue with the expenditure of the colonial government revealed the origins and accumulation of its public debt. He argued that the public debt was in no way a repayment of any capital investment by the home country in the colony, but rather an outcome of tributary payments extracted via Home Charges and the continuous increase in the latter's demands which wiped out any instances of surplus and

ensured that the colony remained in deficit year after year. For instance, a surplus of £ 32 million after meeting civil administration and war expenses over the 46-year period from 1792 to 1838 was wiped out by paying it out as dividend payments to the Company's shareholders in England. When the flow of revenue proved to be insufficient, India was made to borrow in order to keep up the dividend payments, further increasing the taxation burden upon the Indian masses who now also had to pay interest incurred upon this public debt. This debt which was £60 million reached £70 million by the time of the Crown's takeover of colonial administration from the Company in 1858 doubled to nearly £140 million due to public borrowing for expansion of railways in less than two decades by 1876-77 although expenditure on irrigation and railways during this period was only £24 million. As interest payments on the mounting debt formed an additional component of the drain, to meet this burden taxation was increased by 50 percent within twelve years of the Crown's administration.

For the early period from 1765 until the end of the Company's trade monopoly with Asia, Britain's costless import surplus vis-à-vis India would serve as an estimate of the drain. Patnaik (2006) estimates that the combined import surplus into Britain from its colonies in Asia and West Indies – embodying taxes and slave rent, ranged from over 5 percent to 6 percent of Britain's GDP during the period 1770 to 1821. As a proportion of Britain's domestic savings the combined transfers ranged between 66 percent to 86.4 percent during the same period. For the period after 1833 when the Company's monopoly trade completely ended, India's export surplus which remained unrequited and entirely expropriated by Britain would give us an estimate of the transfers. This would still be an underestimate as it excludes the enforced borrowing. The drain theorists used export surplus defined as 'merchandise export surplus plus treasure balance' as an estimate of the drain and excluded services mainly due to the arbitrary nature of these liabilities intended to wipe out India's merchandise export surplus. They did however include all treasure flows making no distinction between commodity and financial gold flows as in contemporary times (Patnaik 2017, Iyer 2021). While Naoroji(1901) was acutely aware of the problems with such a conflation and also argued vehemently against it, the absence of such a distinction conceptually at the time meant that it was not recorded statistically as well. Patnaik (2017) resolves this statistical lacuna and uses 'commodity trade surplus' which includes merchandise export surplus net of commodity gold imports to present a more accurate estimate of the drain.

1.3 MAINSTREAM CRITICISMS OF THE DRAIN THEORY:

An examination of the arguments in mainstream economic history against the Drain theory shows a lack of understanding of the concept of the Drain and an innocence of economic concepts as well. Here we look at critics such as Theodore Morison and John McLane who have directly addressed the concept of the drain in their arguments against it as well as other mainstream economic historians such as B.R Tomlinson, John Gallagher and Anil Seal who have sidestepped the question of the drain by limiting India's role to that of a market.

1.3.1 OBFUSCATION OF CONCEPTS AND FACTS:

The main line of argument in Theodore Morison's book The Economic Transition in India (1911) is largely a defence of the Home Charges as valid payments for 'good governance'. Morison extends this argument to assert that India's political status as a colony had little to do with its indebtedness to the British Empire. Morison defines the 'drain' as the "amount for which there is no material or monetary equivalent" and denies that there was any unfairness to India in drain so defined, by arguing that valuable services were provided in exchange. India enjoyed protection from external invasion as well as access to cheap credit by being a part of the British Empire, and the benefits of the British navy and credit conferred on India were a "liberal offset against her expenditure on pensions and gratuities to her English servants." (Morison 1911, p.240).

This view was factually incorrect and it was a myth propagated by the colonial rulers that most of the Home Charges (the liabilities imposed on India detailed in rupees in the budget, and charged in sterling against its external earnings), were costs incurred by Britain for administering India. In fact, the foreign civil servants and soldiers stationed in India were paid their salaries in rupees out of the regular revenue account of the budget, and only their leave, furlough and pension allowances were payable in sterling. Our calculation of the percentages of spending under various heads to the total Home Charges in Table 1 makes clear, the expenses on account of these latter items made up only 12.7 per cent or one-eighth of total Home Charges over the period 1861 to 1934, recording 15.4 per cent during the 24 years starting 1875 and dropping to 6 per cent by the 1920s. Administrative costs payable in sterling were thus a very small part of the total. By far the largest charges were on account of interest payments on sterling debt (53.5 per cent) and military charges incurred in operations outside Indian borders (23.6 per cent), together making up 77 per cent of the total, with another 10 per

cent on account of purchase of stores. To say that it was of benefit to India for Britain to appropriate and use funds earned by India to prosecute its imperialist expansion all over the world, is a travesty of reality.

Morison looks at the trade data between 1899 and 1909 arriving at an average annual trade surplus of around £15 million, whereas Home Charges (after the deduction of stores) amounted to around £ 15.7 million, thereby forcing India to incur debt. He terms this borrowing as 'potential drain' and India's export surplus as 'actual drain' and contends that to the extent that India resorted to debt from Britain to meet its expenditure on Home Charges, its drain is reduced as, "India received full value for these loans, and by means of them a substantial reduction was made in the proportion of her exports of goods or money for which she received no material equivalent." (ibid., p.200).

Morison's distinction between 'actual' and 'potential' drain is misleading, because after all, if the 'actual' drain had not taken place in the form of Home Charges and other administered liabilities to Britain, India would have been able to use its own export surplus for railways or other industrial development; a point that Naoroji asserts. In fact, the drain from India actually increased by forcing it to borrow from Britain and pay interest on the debt.

Morison also obfuscates the term 'drain' by suggesting that the mere existence of an export surplus itself was termed as drain by the Indian theorists, even though this was not true. For instance he compares colonized India with sovereign countries like the United States and Russia as well as self-governing regions of British settlement such as the Australian Commonwealth, and argues that the mere fact these countries had export surpluses meant "….that the political status of a nation has obviously nothing to do with the so-called "drain"." (ibid., p. 205). Similarly he argues that countries like Canada, Egypt and Japan registered an excess of imports and hence an "absence of 'drain'" (p. 206) as they borrowed in order to industrialise.

By giving such strange examples, Morison was attributing a simple-minded view to the drain theorists which they never held, indicating that he himself was confusing a necessary condition with a sufficient condition. Existence of export surplus was a necessary condition for a country to be drained, but the mere existence of export surplus was not a sufficient condition, for whether it was actually drained depended on whether the concerned country was in a specific type of subject relationship under a metropolitan country.

As our discussion has shown, the drain from India did not follow from the mere existence of an export surplus but from the fact that these external earnings were taken by the metropolis and the actual producers were paid out of the revenues extracted from them as taxes. None of the other countries Morison mentions had to forcibly divert a portion of their domestic budgetary revenues to fund expenditure in a foreign country to the complete extent of their export earnings. There was no British minister designated as Secretary of State for Canada or for Australia who laid a claim on the revenues of those countries, and appropriated all their foreign earnings while paying their export goods producers out of these countries' budget revenues. This special status was reserved for India which did not receive, to use Morison's own terms, any 'monetary or material equivalent' for its global net export earnings, that were siphoned off through the imposition of fabricated administrative charges and outright gifts. This was impossible in the sovereign countries or in the white settler dominions that Morison fallaciously seeks to equate with India, while it was possible only because of its political status as a colony of conquest, that allowed Britain complete control over both its revenues and its exchange earnings.

1.3.2 MISSING MACROECONOMIC LOGIC:

John McLane (2003) reiterates Morison's illogical arguments on the drain theory and asserts that the debt incurred in England by India on railways and irrigation should be seen as 'productive' debt. He also repeats Theodore's argument about view on London being plush with cheap and easy finance and hence the best place for India to borrow from. Morison (1911) had cited the example of USA which invested its export surpluses in Cuba, Peru, Mexico and Canada and was borrowed from Europe, to argue that there was nothing anomalous in India's borrowing from Britain as London was the loan market of the world where the cheapest and easiest source of credit was available more than anywhere else (p.207-208).

This argument is faulty on two grounds. Firstly, it ignores the fact that if India had been allowed to retain even a small share of its own very large export surplus earnings from the world, instead of Britain appropriating these earnings entirely, then it could have financed productive works out of its own resources and no borrowing hence no interest payments at all would have been necessary.

In order to address the second fallacy, a discussion of the significance of Indian tax-financed transfers in the rise of Britain as the financial leader of the capitalist world is in order. Contrary to conventional assumptions, Britain's industrial revolution had not been preceded by an agricultural revolution and had in fact witnessed a decline in its per capita output of cereal for the entire period of the eighteenth century (Patnaik 2011). Even with a near complete dependence on imports for meeting its wage goods as well as raw material requirements, Britain did not witness any dilemma in meeting its rising trade deficits during its industrial revolution as would be the case in the current era. This was solely because of its access to transfers in the form of slave rent, land rent or taxation from its colonies. Patnaik (2006) estimates that the transfers from Asia and West Indies led to the near doubling of its investment rate from 7 percent in 1770 to 13 percent in 1800 and further increased slightly, to about 13.3 percent in 1821. "…In short, the transfer meant that Britons could have their cake and eat it too: maintain high consumption, reflected in a low savings rate, yet succeed in nearly doubling the investment rate between 1770 and 1800, maintaining it through the war years and into the post-War deflation." (ibid., p.60) Thus, were it not for this flow of transfers in the form of unrequited net exports of raw materials and wage goods from the colonies that funded the required rise in investment, the industrial revolution would not have occurred at all over such a very short period, when moreover Britain had to meet the costs of war with the French.

From the second half of the nineteenth century a complex multilateral trading network emerged spanning across countries and continents and had its basis in the rising demand of the newly industrialized nations of Europe and North America and large payments of interest on foreign debt. The stability of this network required it to operate without default in the settlement of dues and without deficit in demand. Britain emerged as the epicentre of this network and stabilized it by keeping its markets open for imports from the industrial countries while simultaneously also becoming the leading creditor. This diffusion of capitalism was made possible only on account of the continuous flow of tax-financed transfers that Britain had access to (Patnaik 2017)

Studies show that from the second half of the nineteenth century that Britain ran rising current account deficits with the United States and Europe and regions of recent European settlement, and at the same time it also exported capital to these very regions thus incurring rising balance of payments deficits with these regions (Hilgerdt 1942, Saul 1960). Britain's trade deficits with Europe and the United States were continually on the increase right through

the decade of the 1880s up to the war as seen in Table 2, and after including invisible earnings from these regions, its current account deficits also rose, owing to the adoption of free trade policy on the one hand but curtailment of British exports owing to the return to protectionism overseas. Hilgerdt's(1942) study of the multilateral trading network shows that Britain suffered trade deficits with every region of the network barring the Tropics.

It should be pointed out here that Britain's surpluses with its colonies in the Tropics were *managed* surpluses owing to its captive markets. Additionally, Britain had complete control over India's rising commodity trade surpluses from the second half of the nineteenth century onwards making the latter the second highest for ex. earner in the world after the United States. Every rise in India's for ex. earnings was transferred to Britain's account via arbitrary charges, leaving the former's economy indebted and deflated, while the latter exported capital to those very regions with which it suffered rising current account deficits. Saul (1960) while not mentioning the role of transfers, highlights India's key role in offsetting Britain's deficits when he writes, "The key to Britain's whole payments patterns lay in India financing as she probably did more than two-fifths of Britain's total deficits, India's trade and bullion returns for the years ending March 31, 1911, gave her an excess of exports to the rest of the Empire of £15.8m, and one of £48.6m with foreign countries. From Europe alone she earned over £30m, from China and Hong Kong over £10m, from Japan and the United States just under £7m each. But this was by no means all, for *it was mainly through India that the British balance of payments found the flexibility essential to a great capital exporting country*." (p.62, emphasis added).

The problem with the Morison and McLane argument is obvious. Neither of these scholars address the core issue, which is the diversion of domestic tax revenue for expenditure in a foreign country by taking over all external earnings – a feature only of colonies of conquest and not of any sovereign country or dominions, and yet they draw fallacious comparisons with sovereign countries and dominions. Moreover, when they put forward England as the cheapest and easiest source of finance, they fail to adhere to basic macroeconomic logic. In order to be able to lend capital, a surplus on the current account is a pre-condition. We have seen already that Britain systematically posted rising current account deficits with its most important trading partners, Continental Europe and North America, and yet exported capital to them resulting in rising balance of payments deficits. Britain could

manipulate a balancing current account surplus vis-à-vis India, far in excess of its trade surplus with that country, only by administratively imposing even larger invisible liabilities which not only siphoned off all of India's global earnings but also to kept her indebted. Far from India gaining cheap credit, India was drained of its very large global foreign exchange earnings and its gold reserves were shifted to London, enabling Britain to enjoy easy liquidity in its money markets, to export capital to Europe and new regions of European settlement, on which it received rising interest incomes.

1.3.3 OMITTING TRANSFERS TO UNDERMINE INDIA'S COLONIAL ROLE:

The Cambridge School history writing on the inter-war period and its treatment of India too is short on facts and economics (Tomlinson 1979, Gallagher and Seal 1981). While they do acknowledge India's role in settling Britain's deficits in the per-war period, they dub the inter-war period as one of 'decolonisation'. They argue that India's capacity to earn export surpluses from the rest of the world suffered on account of the worldwide recessionary conditions that marked this period, particularly in the decade of the 1930s, thereby diminishing considerably its ability to compensate for Britain's deficits. Also, India's role as a market for British goods came down substantially during this period and countries like Germany and Japan replaced Britain as a source of imports.

With respect to India's reduced ability to earn export surpluses the Cambridge historians' undifferentiated treatment of the entire inter-war period and their view of a waning colonial role for India is contradicted by the fact that the fastest ever growth of India's commodity export surpluses took place over the first decade of the inter-War period and Britain continued to appropriate all of these rising earnings into its own Treasury. India's trade data for the period clearly shows a distinction between the first and the second decade of the inter-war years. In Table 3 which gives the three yearly annual averages of the trade data the figures from the UN's Trade Statistics and from the Statistical Abstracts have been juxtaposed for comparison. The merchandise balance for the entire two decades as per the Statistical Abstracts is about £ 207 million higher than the UN's trade data figures. The data according to both the sources clearly shows a break between the first and the second decade of the inter-war period.

In the triennium 1924-26 we see India's merchandise export earnings peaking at £271 million and export surplus earnings peaking at over £90 million. Although in the next

triennium the average merchandise export earnings declined it was by only 9 percent to £247 million since India continued to defy the worldwide recessionary trend in agriculture that had set in by 1925, by compensating for falling prices by expanding export volumes. But since imports rose, the export surplus fell by half to £53 million, which was still substantial. Throughout the 1920s, India earned the second largest merchandise export surpluses in the world, the first being the US. By contrast the triennium 1930-32 saw a very sharp decline in export earnings and in export surplus as depression engulfed the capitalist world, with export earnings halving while export surplus hit rock bottom at just over one-fifth of the peak level. The three-year annual averages for the rest of the decade remained at less than half the earnings in the previous decade.

The Cambridge school economic historians fail to recognize the macroeconomic requirement of a current account deficit necessarily requiring to be matched by a surplus in the capital account in order for the Balance of Payments to balance. Even when India's merchandise export surplus earnings went down after 1928, this did not in any way reduce Britain's invisible demands upon it and only led to the widening of India's current account deficit, which was then balanced by an enforced surplus on its capital account through an outflow of financial gold to the tune of over Rs. 3.5 billion to Britain and additional borrowing on paper from Britain (Iyer 2021). Hence, India's falling commodity export surpluses did not spare it of its 'colonial' role of maintaining Britain's balance of payments through transfers in the latter decade of the inter-war period. The only difference was that since these transfers were no longer possible through India's high export surplus earnings, the same was carried out through a one-time asset outflow, which in this case was gold.

Their argument about India's reduced role as market for British goods too is not tenable. The 1920s did see a change in the pattern of India's foreign trade with the different countries. The share of Britain in India's imports declined and, in its place, USA and Japan increased their shares (Varshney 1965, Table VIII, p. 459). India continued to be the biggest importer of British goods in the 1920s and the decline in this role was stemmed temporarily by the Ottawa Pact in the 1930s, which saw the British Empire and UK's share in India's exports increasing. The Ottawa Agreement which was signed between the members of the British Commonwealth ensured a market for Indian exports among the other countries of the Empire as well as a market for Indian raw cotton in the UK and thus showed a larger share of Britain

in Indian exports in 1930 and 1931. The contribution of the countries in the British Empire in India's imports declined in 1931-32 but revived in 1938-39. "India extended preferences over about £55 mn worth of imports from Britain (at 1929-30 values); in return, she received preferences over about £47 mn worth of exports to the UK." (Bagchi 1972, p.87). While India did benefit to an extent owing to its proximity to Britain which remained relatively stable during the inter-war years, the advantage was also partially offset through its reduced trading relations with Japan owing to discrimination against the latter's exports as a result of the Imperial Preference.

But more importantly, unlike the Cambridge School's claim, the change in trading pattern was almost inconsequential in determining India's colonial status. So long as India continued to earn foreign exchange through its trade surpluses with the rest of the world and transferred the same to Britain, India remained a colonial asset for Britain, and perhaps more so now, when the latter's own leading position was beginning to get undermined in the aftermath of the war. Further, India earned increasing surpluses from precisely those regions, primarily the European Continent and North America, with which Britain had trade deficits. As long as India's export surpluses were entirely at Britain's disposal, its changing trade pattern was no cause of disruption to its colonial role in the Empire. The drain via tax financed transfers was and remained the raison d'être of India's colonial status.

1.4 CONCLUSION:

The Drain theory articulated by the early Indian nationalists identified the tax-financed nature of the colonial transfers from India under the British regime and also attempted to present credible estimates of the same. Mainstream economic historians' attempts to undermine the Drain theory and invalidate its relevance are replete with instances of obfuscation of facts and concepts and betray an understanding of economics.

Appendix

Table 1: Share of administrative and other expenditure in Home Charges, India, 1861-2 to 1933-4 (Annual averages in £ million)

Year	Total Interest payments (1)	Military (2)	Stores (3)	Sub Total (4)	Pensions, Furlough and Other civil charges (5)	Total Home Charges (6)	(4) as a proportion of Home Charges (7)	(5) as a proportion of Home charges (8)
1861-2 to 1871-4	5.7	2.6	1.1	9.4	1.1	10.5	89.5	10.5
1875-6 to 1898-9	7.9	3.5	1.2	12.6	2.3	14.9	84.6	15.4
1899-1900 to 1913-14	9.4	4.2	1.6	15.2	2.5	17.7	85.9	14.1
1914-15 to 1920-1	13.1	4.7	2.9	20.7	2.6	23.3	88.8	11.2
1924-25	14.4	10.1	5.5	30	1.9	31.9	94.0	6.0
1933-34	15.7	8.1	3.4	27.2	1.6	28.8	94.4	5.6
TOTAL	**400.0**	**176.7**	**75.3**	**652.0**	**95.0**	**747.0**	**87.3**	**12.7**

Source: Source: Dharma Kumar (2008), Table 12.10, p. 938
Note: Columns 4, 7 and 8 have been calculated. Note that data for 11 years are missing from the series.

Table 2: Trade deficit of UK with Europe and USA (Annual Averages in £ million)

	1870-74	1880-84	1890-94	1900-04	1910-13
Europe	22.5	55	81.5	102.6	70.3
U.S.A	25.2	60.3	59.2	89.3	68.5

Source: Saul, S.B. (1960), p.54

Table 3: Merchandise Exports, Imports and Balance, India 1921 to 1938 (Three- year annual averages in £ million).

Period	MX (UN) (£mn)	MX(SA) (£mn)	MM (UN) (£mn)	MM (SA) (£mn)	MB (UN) (£mn)	MB(SA) (£mn)
1921-23	198.51	207.51	182.28	171.41	16.23	36.10
1924-26	263.87	270.81	193.35	180.15	70.52	90.66
1927-29	243.04	246.77	204.12	193.39	38.92	53.37

1930-32	126.60	127.62	111.24	107.20	15.36	20.42
1933-35	119.33	117.04	98.47	96.53	20.86	20.51
1936-38	135.30	140.31	119.60	114.89	15.70	25.42
TOTAL	**3259.94**	**3330.16**	**2727.17**	**2590.73**	**532.77**	**739.43**
AVERAGE	**181.11**	**185.01**	**151.51**	**143.93**	**29.60**	**41.08**

Source: United Nations Trade Statistics (1962), Table XIII, and Statistical Abstracts of British India, 1921-31 and 1929-39.
Note: MX – Merchandise Exports, MM- Merchandise Imports, MB- Merchandise Balance, UN- United Nations, SA- Statistical Abstract.
United Nations trade data was given in dollars and Statistical Abstracts data in rupees. Exchange rates to convert into pound sterling have been taken from United Nations Trade Statistics data.

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