

Indian Business History
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Lecture – 10
Indian Economy and Business during the First World War (WW I)

Hello and welcome back to Indian Business History. This is lecture number 10. And, the title of this lecture is “Indian Economy and Business during the First World War”. With this lecture we also begin week number 5 for this online course week 5, as I outlined in this general course is going to deal with Indian business. And, economy during the First and Second World Wars these wars ranged from 1914 till 1945 and this week is comprised of 3 lectures.

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This is Week 5

- Week 5: Indian Business and Economy during the First and Second World Wars, 1914-1945
 - **Lecture 10:** Indian Economy and Business during the First World War (WW I) **We are Here**
 - **Lecture 11:** Impact of the Second World War (WW II)
 - **Lecture 12:** Global wars for India; Case Study: Hindustan Aeronautics Limited (HAL)

The first lecture where we are today is lecture number 10, which will examine the impact that the First World War had on Indian Business and Indian Economy. Then, the lecture that we follow lecture 10 which is lecture 11 will be a discussion of the impact of the Second World War on Indian businesses and Indian economy.

And, the third lecture of this week, which is lecture number 12, will be a more analytical discussion of what these global wars or disruptions meant for the larger character of the Indian economy and business during this period.

This final lecture of this week lecture 12 will also deal with an examination of a case study, which is going to be a discussion of the establishment and evolution of the Hindustan Aeronautics Limited.

So, since this lecture is going to be a discussion of the First World War, I want to begin by giving you a brief introductory note on what the First World War was really about, what for it is political causes and how did it affect in the Indian economy and business So deeply?.

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What was the First World War (1914-18) all about?

- 1914 Europe dominated by 5 “Great Powers” : Britain, France, Germany, Russia, Austria-Hungary
- All 5 powerful but insecure about each other’s territorial expansion.
- Long-standing grievances against each other (territories, weapons, armies etc).

The First World War erupted in the year 1914. And, it lasted for about 4 years which is 1918. And, the political situation in Europe the structural factors the general economy and the general, social and cultural (Refer Time: 02:21) is important to understand, the origins of the First World War, because it gives us a useful context to study the shape of Indian business during this period.

1914 in Europe was dominated by 5 great powers these 5 great powers were namely Britain, France, Germany, Russia and Austria Hungary. All 5 of these countries were extremely powerful, but they were also deeply insecure about each other’s territorial expansion.

So, even though Europe of the early 20th century was a collection of different monarchies and royal houses and they were also partly related to each other through networks of marriage and kinship. The general political character of the European state system at this point was uneven and unstable. All the territories which made up the political system of Europe in the 20th

century were made up of extremely ambitious regions and states or kingdoms and they were extremely insecure about each other's territorial expansion, either within Europe or outside the boundaries of Europe.

There were long standing grievances that these countries shared against each other these grievances were of a diverse kind of nature. So, the long standing grievances could either be due to territorial expansion or contraction. So, country A for example, would have grievances against another country B or country C, depending on the nature of the territorial expansion of the concerned countries.

Then another set of grievances could be related to the weapons and military buildup during this period, because different countries in Europe were aligned in to different groups or subgroups within the European political system. One group's military buildup was seen as offensive by the other group.

So, the resulting tensions from an armed build up or the insecurities relating to territorial expansion or the acquisition of greater amount of colonies, contributed to the general upheaval that was experienced in European politics in this period. Another major reason for grievances amongst these countries in Europe was the nature of military control and expansion during this period. So, the militaries of these countries were excessively aggressive and martial, they were involved not just in European conflicts, but also in international conflicts during this period.

So, of the many reasons that made the European state system deeply unstable and prone to violence was a result of various military related features at this point. All these long standing grievances came to a boiling point in the year 1914. So, in many ways the year 1914 marks the capitulation of long standing historical insecurities the nature of competition and the issues of aggression and instability associated with greater military buildup, in order to protect oneself from external aggression.

So, the political tinderbox on which the European state system was established was inherently unstable and prone to extreme violence. And, this violence came to ahead in the year 1914.

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What was the First World War (1914-18) all about?

- 1914 = Boiling point for historical resentments.
- All 5 were Imperial Powers (except Russia after 1917 Revolution) = Amassed massive colonies in Asia and Africa to earn profits from trade & earn “prestige”.
- Rivalries in Europe = Rivalries in Asia/Africa

All 5 imperial countries that I have just mentioned who ruled the roost in European political affairs during this period except Russia after the 1917 revolution, were able to amass massive colonies in Asia and Africa to earn profits from trade and earn a fair amount of prestige. It is important to remember, that imperialism and colonialism or the exercises of colonization of greater territories in continents as far as Asia and Africa, who are not just economic exercises or a not just political projects.

But, in Europe and outside acquisition of greater amount of territories was also a matter of prestige for some of the dominant European powers in this period. So, imperialism did not just remain a political category or a historical unit that we have to study. It became part of a nationalist enterprise in Europe, which regarded the acquisition of markets landed territory or different people in different continents as a marker of the prestige of the colonizing country.

So, one major reason that contributed towards grievances in Europe at this point was also the degree of competition that was introduced in who could amass greater amount of territories for themselves as part of this larger European colonization project.

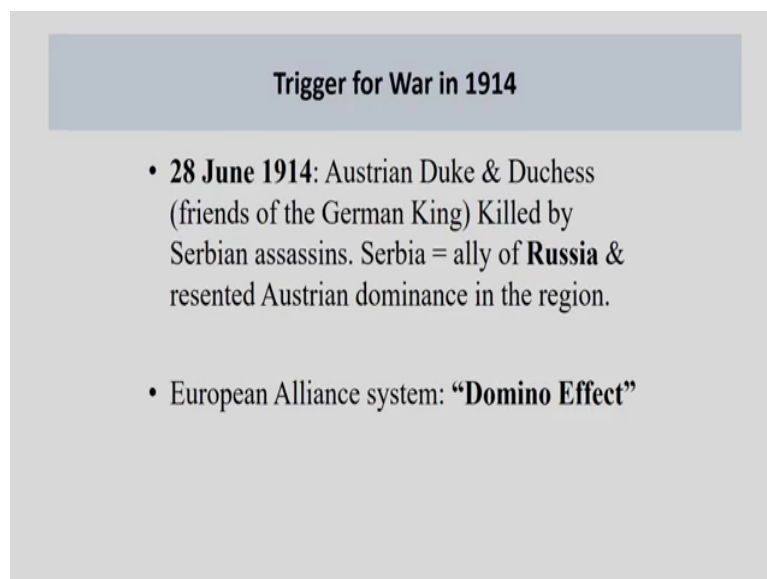
It is also fair to say that rivalries in Europe therefore, translated easily into rivalries in Asia and Africa because the dominant players in the European continent were also the dominant imperial powers during this period. So, whatever European or local tensions that they had against each other or whatever the animosity that they experienced towards their fellow European neighbors

or different countries within Europe was translated into specific forms of rivalries in Asia and Africa.

Because, the same set of countries were also involved in colonization and imperialism the project of European system that had become increasingly unstable and prone to warfare and interstate violence also became an Asian reality and an African reality. So, vast numbers of colonies and colonized people, who were suffering under the yoke of colonial rule also became unwilling partners in this larger intra-European warfare that came to a head in the form of the First World War. Despite the coming together of specific historical forces and cultural and social forces, there were certain triggers that made possible the immediate eruption of the war in 1914.

And, the first major trigger, that is now held responsible for the eruption of the First World War.

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The slide features a light blue header with the title "Trigger for War in 1914". Below the header, there are two bullet points on a light gray background. The first bullet point describes the assassination of the Austrian Duke and Duchess on June 28, 1914, and mentions Serbia's alliance with Russia and its resentment of Austrian dominance. The second bullet point refers to the European Alliance system and the "Domino Effect".

Trigger for War in 1914

- **28 June 1914:** Austrian Duke & Duchess (friends of the German King) Killed by Serbian assassins. Serbia = ally of **Russia** & resented Austrian dominance in the region.
- European Alliance system: "**Domino Effect**"

Happened on 28 June 1914, when the Austrian Duke and Duchess who were also friends of the German King and by implication allies of Germany were killed by Serbian assassins or nationalists. Serbia in the early 20th century was an ally of Russia and the vast majority of the Serbian people resented Austrian dominance in the region.

As a result of this political murder, the already unstable European system became even more unstable and tensions were running high. And, because the European state system was divided

into multiple alliances, groupings and groups of belligerent countries, who were pitched against another set of belligerent countries, what was seen after these developments of June 1914 can be informally termed as the domino effect.

Domino effect a phrase that is used in multiple contexts today, in the context of the First World War would mean that, a country subjected to external attack or internal revolution was or had the potential to become a European issue based on the groupings that it belonged to.

So, domino effect in the context of the First World War would mean that if one particular country of a given alliance system was attacked or subjected to external aggression, then it was compelling evidence or grounds, for the entire alliance to spring into action and take actions against the other alliance in Europe. So, the balance of power that existed in the European state system at this point existed on the balancing of different alliances and groups as they existed in Europe during this period. One group came up in response to limit the influence or territorial expansion of other group.

So, if a constituent member of a given alliance was attacked by a country of another alliance, it would effectively mean that the 2 alliances would automatically come into conflict with each other. The notions of violence of power that had dictated the European terms of politics and state making therefore, were found to be inherently unstable. And, when war finally, happened in 1914 it was not just a war between different countries of the European continent. It effectively became a contest of wills and a desire to impose ones military supremacy or the desire to improve the military preeminence of one alliance over the other.

As the First World War erupted across the steppes and marshlands of the European continent and threatened to become an international war, by including the colonies of Asia and Africa. There were certain belligerence that came to be known as the prime players in this conflict.

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Trigger for War in 1914

- **Serbia + Russia + Britain + France**

VERSUS

- **Germany + Austria & Hungary + Ottomans (Turkey)**

- WW-I = initially European in origin ; gradually becomes a “World War” as **colonies** are made to fight in it.

So, with the killing of the Austrian Duke and Duchess by Serbian assassins to immediately powerful alliances came to be noticed as far as European political affairs of this period are concerned.

So, one team that fought the First World War on one side was comprised of Serbia, Russia, Britain and France and these belligerents were pitched against the other opposing bloc of countries, which comprised roughly of Germany, Austria Hungary and the Ottoman Empire. When I use the words Russia, Britain and France, they are used in their particular historical contexts, they had not just empires or territorial ambitions in parts of America and Africa, but they also ran huge lucrative empires in parts of South Asia and Southeast Asia, which included parts of Indian Territory.

So, when I use the word Britain, France, Ottomans Austria Hungary or Germany. Please remember that the political connotation of these terms refers to the context of the early 20th century. So, two power blocks were now dead against each other, in European warfare and interstate warfare and their resulting rivalries and animosities threatened to spill over to the territories of Asia and Africa.

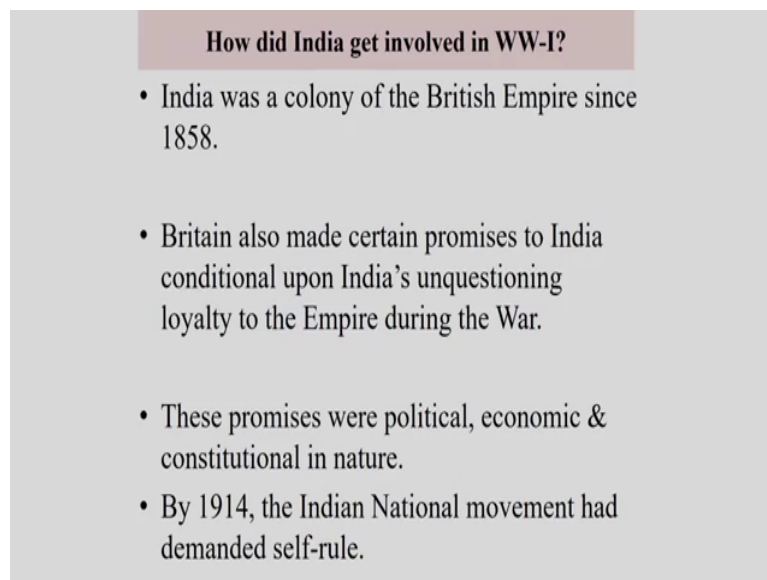
So, the First World War, which initially was European in origin because of the number of reasons that I have just outlined, then gradually became a World War as colonies were also made to fight in it. So, the Word World in the First World War refers to the largely international

character of this conflict, but this characterization of this global conflict as a world war, was something that it acquired only gradually.

When it erupted in 1914, it had at its heart local European issues of political representation and self-assertion, but the nature of global politics at this point, which included the acquisition of foreign territories into the making of transnational imperial empires, necessarily resulted in making the First World War graduate from its European origin to accommodate larger parts of the world including India.

A question then that arises is how did and when did India become involved in the First World War?

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How did India get involved in WW-I?

- India was a colony of the British Empire since 1858.
- Britain also made certain promises to India conditional upon India's unquestioning loyalty to the Empire during the War.
- These promises were political, economic & constitutional in nature.
- By 1914, the Indian National movement had demanded self-rule.

The answers are simple India had become a formal colony of the British Empire since 1858. As you already know when Victoria had been proclaimed as the empress of India, the rule of the East India Company had been abolished. So, technically company raj had come to an end in the Indian subcontinent. And, the administration and governance of the Indian subcontinent passed from the hands of the East India Company to the authority and control of the British sovereign crown.

So, the political and formal status of India as a constituent part of the British Empire made it a natural, but unwilling party to the battles of the First World War. So, in many ways India or Indians did not really have a choice or a say in the matter of whether India should or could

indeed become part of the First World War. It is political subservience to the interests of the British Empire made it an integral part of the First World War. While India and Indian forces were coerced to fight the First World War. Britain also made certain promises to India at this point; these promises were conditional upon India's unquestioning loyalty to the Empire during the War.

So, despite the fact that India furnished one of the largest military and supportive contingents to fight the battles of the First World War, the other part of this episode is also true which is that much of Indian participation in the First World War work was coerced by the necessary strategic imperial and military interests as espoused by the British Empire. The promise is that the British state made to India were of many kinds. So, they have a political economic and constitutional in nature and as we go along during this lecture, I will illustrate some of the promises that the British state made to India upon it is conditional participation in the War.

But, suffice it to say that India's participation in the First World War was coercive and to ease India's coercion into the First World War. British officials made certain political promises or held out at least the hope of concealing political, economic and other social and cultural demands to the Indians, if they would agree to take part in the First World War. The reason as to why the British state felt compelled to make certain political demands or make the statements of making future political concessions to the Indians, after the conclusion of the First World War was because of certain Indian political domestic conditions itself.

By the early part of the 20th century and by 1914 definitely the Indian national movement had become more radical and was not hesitating to voice its concerns on the future political status of the Indian subcontinent. So, when the war erupted in 1914, which gradually became the First World War incorporating great stretches of territories and peoples, within India the national movement was becoming more radical in scope it was being led by the members of the Indian national congress. And, one of their chief political demands of this period was the granting of self-rule to Indians.

What its exact definition was is more abstract different shades of political opinion existed in India at this point, different kinds of communities and collection of individuals carved out their own definitions of what self-rule meant for them for their struggles and for their campaigns, but by 1914 when Britain realized that India's strategic, potential India's manpower resources

and it is rich storehouse of resources would be crucial to fight the battles of the First World War.

It also realized that Indian participation could not have been taken for granted. So, the reason as to why Britain, held out the hope of concealing certain political, social and economic concessions after, the War was based on the development of a certain political rhetoric in India, which was deeply antagonistic to the rule of the British state in the Indian subcontinent.

So, the basic incompatibility of Indian demands and British coercion in the early 20th century made the First World War and India's participation in it somewhat conditional. Nonetheless India's observe into political status at this point meant, that if not by asking then definitely by hard coercive diplomacy India or India's military forces would necessarily have to fight that War, but conditions within the Indian political system were also changing, which made the British state realize the power of that movement. And, which made it renegotiate it stands as far as Indian involvement in the First World War was concerned.

Since, the theme of this lecture is to analyze the impact of the First World War on Indian businesses and Indian economy. I want to get straight to the point by detailing some of the important developments that took place as far as the big businesses in India is concerned. In the previous lecture we discussed the rise in evolution of the Tata's and the Birla's in the Indian subcontinent. And, I mentioned how this was a unique, because never before had a critical mass of Indian entrepreneurs come together at a time, when their ideas institutions and priorities were geared towards largely the benefit of India and Indians.


The First World War also came across as a big opportunity for the revival in the fortunes of these existing big businesses. So, the first phase of growth or immense growth that these that these big business businesses experienced and this point was during the years of the First World War.

So, how exactly did the First World War help in the consolidation of the TATA fortunes?

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Consolidation of the TATA Business

- **Impact & demand for WW-I:**
 - TATA Power Co.
 - Hydroelectric Power
 - Expansion of TISCO
 - Tata Cements & Construction
- Emergence of TATA as a “National House”
- Huge profits in Jute, Cotton, Coal



Well the impact and demand of the wartime economies of Britain and the general nature of demands generated by the First World War in Europe contributed immensely to the expansion of the businesses of the TATA's. By, 1914 the TATA Empire had also diversified a great deal. So, not only were they involved in the hospitality business or in the coal mining business, they had also significantly diversified into other critical sectors of power generation and construction and the production of cement.

So, the big sectors that were responsible for furnishing the War effort as far as the First World War is concerned was being done by the TATA's from the Indian subcontinent. And, the incessant demands witnessed during the wartime mobilization of the years between 1914 and 1918 were critical for their expansion in a great way.

The impact in demand for the First World War favorably led to the expansion of TATA Power Company, it also had a similar impact on the hydroelectric power projects that the TATA's had at this point the expansion of TATA iron and steel company also happened as a result of the First World War. And, the larger construction and cements business of the TATA Empire, also received a fillip as a result of wartime mobilization in these 4 years from 1914 to 1918.

So, while one aspect of warfare is the obvious and tragic loss of life and property and the visual spectacle of destruction, that warfare unleashes on countless societies. The other aspect of wartime mobilization could also be assessed as far as business and economy is concerned, where certain players who are in the forefront of industrial manufacturing and production. Do

sense arise in their sales, in their exports and in their revenue earning capacities. The augmentation of production capabilities in the Indian subcontinent happened primarily as a result of the global demand that was generated by the First World War.

So, the augmentation and production capacities the expansion of industrial architecture or infrastructures across the subcontinent happened, because of the need for the British state to supply a greater amount of resources and manpower to its military forces scattered around the world during this period. They need to equip supply feed and keep its military forces, in as competitive a manner as possible against the rival alliance in Europe meant that there was a great need for resources to be transported from one region to the other.

This immensely logistical exercise was made possible through augmenting the production and industrial capabilities of players like the TATA Empire. And, the immense growth that they witnessed in their industrial figures and in their factory production outputs was directly a cause of wartime mobilization during the First World War.

It is also during this period, that Tata begins to be reckoned as a household name and truly comes into its own as a first national business house of the Indian subcontinent. The services that it rendered to the First World War, the amount of goods that its industries produced or the amount of power that it applied to other factories in the Indian subcontinent, which produced different kinds of goods made it a very important player in India's business history of this period.

So, the emergence of TATA as an important player in the business landscape of the Indian subcontinent was not just a function of its immense production capabilities, but also of its all encompassing nature in the way it furnished the War effort in service of those fighting the First World War. In addition to the power companies in addition to cement in construction and in addition to the expansion of its iron and steel company.

There were also massive profits to be earned in certain other allied sectors like jute, cotton and coal, the massive demand that was felt for power for textiles, for textile based goods that could be supplied to the waterfront in Europe Africa. And, in other theatres of the First World War, meant that the industries or the industrialists involved in the production of those goods also witnessed a surge in the demand for those products.

The surge in demand for those products was also met with increased revenue sales and also an augmentation in the incomes that these communities were able to earn from these operations. So, the years of the First World War contributed immensely to the significant growth spurt in India's industrial profile during this period. Not only did it result in greater augmentation and production facilities and their expansion into different parts of the Indian subcontinent. It also made certain key players like TATA's and also the Birla's and certain other business families, common household names and a force to reckon with in the Indian imagination during this period.

Apart from witnessing a huge surge in their industries in factory production, there are certain important and significant features of what an economy in the Indian subcontinent in this period that you should keep in mind.

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Features of Economic Growth

- Fast war-led growth obscured long-term vision
- Growth focussed on domestic demand: Loss of China market by 1913
- 1900-1913: Modest growth in Banking ; Unstable, short-term growth based on war industries
- 1913-1917: Indian Banking crash, ≈ 200 Lakh rupees lost

The first Feature of that Economic Growth was that the rapid nature of war-led growth in India from 1914 onwards, obscured the long term vision of the direction that the Indian economy was taking in this period. So, there were no significant policy proposals that were made during the First World War, nor was there an articulation of the future trajectory of India's industrialization patterns or India's factories, of what future pattern that they will take after the war would come to an end, to be fair there was no political answer to the ending of the First World War in the first place.

So, any long term vision that could have been articulated then became dependent on the questions of when war would come to an end in Europe and in Asia. The confusion and the fog of war associated with the battles of the First World War from 1914 to 1918. And, the short term profits and revenue generating capacities that were engendered in the Indian subcontinent during this period, contributed to a great way in the obscuring of developing any long term vision of the plans that could have been developed for the future growth potential of the Indian economy or Indian big business in this period.

So, the short and febrile growth of the economy in India, they not really paved the way for the development of any long term ideas or vision for the future trajectory of the Indian economy. Then, the second feature of wartime mobilization as far as the economy is concerned in India, was that the growth was focused mainly on domestic demand. There was a loss of the China market by 1913. So, the opium wars that were fought in the previous century contributed a great deal in the development of an animosity between Britain and China. And, the resulting closing off of the Chinese economy to foreign players also meant that the China market and its lucrative potential was now almost completely lost to the British state.

So, their renewed phase of Indian growth then tallies historically with a gradual loss of the China market as far as goods and services are concerned. So, the rapid development of Indian industries Indian manufacturing capabilities or the short time in which Indian entrepreneurial capabilities came to the fore and very stab and very crucial in establishing a wide variety of industries, happened not just because of the war which was a significant reason for industrialization in India. But also because India by itself was now seen as an even more important economic asset in the eyes of the British Empire, because it had also lost access to the China market as far as certain key commodities are concerned.

The period from 1900 to 1913 which is the initial part of the 20th century, is also notable for the very modest growth in Indian banking during this period. Nonetheless the nature of that growth was unstable and just as different industries came up in India in a very short span of time to service the demands of the war, much of the characteristics of the banking industry that was developed in the Indian subcontinent during this period also was premised on a short term basis and it was based on financing the wartime industries that had come up in response to this industrial disruption.

So, just as the First World War was responsible for the coming up of different kinds of industries, that could prosecute that war, banking instruments and financial services also followed closely in their wake in order to provide financial services or financial loans, for precisely those kinds of industries. So, this short term into linkages between different kinds of economic and financial institutions, otherwise a marker of the onset of modern economic systems was nonetheless in the case of the Indian subcontinent, driven by a short term vision.

This short term vision was driven in turn by need to earn maximum profits and the inherent instability volatility and also speculation associated with these industries and banking institutions resulted in the formation of a huge speculative bubble in the Indian subcontinent yet again.

As a result of this increasing trend of speculation a speculative crisis was also in the offing. So, in the earth from 1913 to 1917, which is also roughly the year of the First World War, there was also the tragic incident, but not the last one of an Indian banking crash. This downturn in the Indian economy and this depressive cycle in India's banking system almost led to the loss of 200 lakhs of rupees, this currency should be taken in the context of the times that we are discussing. So, in the early 20th century 200 lakhs rupees or approximately a number approaching that number was a huge loss and marked a huge dent in the Indian economy during this period.


So, the First World War then as far as the Indian case is concerned, is not just a case of impressive industrial growth or the overnight expansion of factory production facilities, it is also a parallel rise of speculative practices, it is also a parallel rise of short term growth coupled with rapid industrialization to fulfill the demands of wartime economies. And, the necessary speculation that ensued as a result of these developments led to the obvious decline of these activities and wholesale collapse of these speculative practices resulting in a massive loss of not just money, but also people's livelihoods associated with these businesses.

I want to now spend some time on some of the important post war developments that took place in the Indian subcontinent during this period. And, these post war developments have to be placed in their proper historical context, because a clear assessment of the political, economic and social consequences of these policy features is necessary to understand the general character of Indian business during the First World War.

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Post First World War Developments

- **Indian Industrial Commission, 1916-1918**
– “Discriminating Protection”
- **Govt of India Act, 1919/ “Morley-Minto Reforms”**
– Representation of Indian business interests in Central & Provincial Assemblies



The image shows the cover of the report from the Indian Industrial Commission for the period 1916-18. The cover is white with black text and a central emblem. At the top, it reads 'Indian Industrial Commission' and '1916-18'. Below that, the word 'REPORT' is centered. In the middle, there is a royal coat of arms. At the bottom, there is a small line of text: 'PRINTED AT THE GOVERNMENT PRESS, CALCUTTA, 1919'.

So, towards the closing years of the First World War, the first Indian industrial commission of the 20th century was commissioned by the British state and the report of this Indian industrial commission was tabled in 1919. And, one of the prominent policy features that came out as a result of these deliberations that took place through this industrial commission was the element of discriminating protection.

What does discriminating protection mean actually? As far as the colonial state is concerned in India discriminating protection meant establishing and implementing a set of policies, procedures or indeed laws that could afford protection to certain Indian industries, which had a strategic benefit to the colonial state. The massive expansion of industries such as those of the TATA's and the massive expansion of cotton mills, in jute mills, and the invaluable service that they rendered to the war effort, made the British state alive to the possibilities of the ways in which the Indian subcontinent and its economic strength could be harnessed again for a future war should that take place.

So, the immense amount of logistical contributions that were made by Indian factories, Indian big business and Indian entrepreneurs was enough proof for the British state, to safeguard or to allow the fostering of certain key industries in India. As not just developing the Indian economy, but also to cultivate sources of economic sponsorship and financial support to the strategic aims of the British Empire during this period, Wars are not just political exercises they also require a lot of money and undertaking.

So, the immense amount of logistical exercises that were conducted by Indian businessmen, by Indian merchants, or the factory output that made this First World War ultimately a winnable exercise for the British Empire, convinced the British officials and the British elites to safeguard certain key industries, because they could then be relied upon in the event of a future conflict.

So, 200 or 150 to 200 years of history whereby the British state or British economic interests had been known for their careless and reckless and indiscriminate plunder of Indian resources had come to a brief halt, but this brief halt was also strategic and self-serving in nature. This brief halt was affected by the idea of discriminating protection and this feature essentially meant that from 1918 onwards not all industries, but certain industries in India, which had a strategic value for the British Empire would now be liable for British support as far as tariff barriers are concerned, they would be allowed to augment their production capacities. And all official measures would now be taken by the British state to foster their continued stability and expansion.

The discriminating protection offered to certain Indian industries, then became another piece of British economic diplomacy in this period, where certain Indian strengths were seen as key elements in the strategic preservation of the British Empire and its interests across the world. So, this was not a sudden change of heart as far as the colonial state is concerned, the idea of discriminating protection had strategic origins and the idea of affording protection to industries, such as tanneries or certain jute mills, belonging to the Birla group or certain other big business families.

Therefore, was of a piece with the larger British strategy relating to the Indian subcontinent's economic resources, and the role that those economic resources could play in prosecuting a war to the general favorability of the British Empire.

While the Indian industrial commission was being discussed in the corridors of power in India, there was also a more thoroughgoing political act that was demonstrated in the Indian political system. And, this legislative act which may be familiar to some of you was the Government of India Act of 1919 or also informally known as the Morley Minto reforms of 1919.

So, whereas, the Indian industrial commission was mainly an economic exercise with its attendant political and strategic objectives. The more the Morley Minto reforms of 1919 was

basically a political context for the greater representation of Indian business interests in central and provincial assemblies.

The 1919 reforms also established a rudimentary federal framework for Indian polity. So, this witnessed the development of legislatures, unicameral or bicameral legislatures, in the provinces or in the center. And, in the wake of these political reforms the inner workings of that political system also were highlighted.

So, not just different parliamentary structures were now being imparted to the Indian polity, thereby making it a mirror image or the ways in which the British political system worked, but also within that Indian political system, which was evolving in this period there were actions taken to make sure that certain business and economic interests were also represented in the circles of power, or at least in those executive branches of the government, where necessary legislation and acts could be enshrined that could make discriminating protection a practical reality.

So, the coming together of political acts with economic objectives or the securing of economic objectives with strategic motivations was a unique feature of this period. So, while the years from 1916 to 18 represented the closing years of this international conflict, where war had not come to an end, but they were political indications that hostilities would close at some point in the future, significant legislative and political exercises were happening in the Indian subcontinent.

While the idea of discriminating protection made possible the future augmentation of Indian industrialization, certain significant political developments like the coming of modern democratic executive structures in the Indian subcontinent. Also gave India its modern political and federal identity that it continues to demonstrate.

The arrival of modern political structures in the Indian subcontinent did not just make the Indian national movement more sophisticated and more articulate in its political demands. It also paved the way for the representation of significant business interests within those structures. So, the coming together of politicians and Indian entrepreneurial leaders as we witnessed in the years of the Swadeshi movement, then graduate it on to more intimate forms of social and cultural relations.

The merging of political power with entrepreneurial power and the symbolizing of Indian entrepreneurial capabilities as symbolized by the representation in modern political structures, represented a defining moment of the Indian political system at this point.

The British state was guided by its efforts to preserve its strategy. So, it devolved certain Indian structures onto the Indian subcontinent, but the incidental side benefit of making those structures a reality in the Indian subcontinent now meant the mainstreaming of India's economic and financial interests into the formal corridors of power. So, while the general character of the Indian economy was dictated by the strategic ambitions of the British Empire, which had its necessary social cultural and political consequences. Some of the unwitting consequences of that strategy also meant that a great number of Indian entrepreneurs were, now given the opportunity to have political voices within formal political corridors of power.

No longer were the TATA's and Birla's of the Indian subcontinent, satisfied at playing second fiddle as far as Indian politics were concerned, their mainstream political representation in India's legislatures or their nomination to the viceroy council gave them official or semiofficial status as important spokespersons for India's entrepreneurial community during this period. So, the formalization of the economic influence of Indian entrepreneurs into formal political and executive circles was a characteristic feature of the wartime years and the consequences as far as India's business history is concerned. This was a unique feature, because never before had Indian entrepreneurs been given this important political platform to voice their concerns on.

These platforms that they used were used not just for articulating political positions, but they were also used as significant lobbying platforms to convince the British state to undertake necessary reforms in its tariff policy, or to invoke more legislations on ways that could be used to preserve the strength of Indian industries, or to enact certain policies that could favor the growth of Indian industries, even over those of British industries.

So, the coming of Indian entrepreneurs and their representation in form of political circles meant that their economic ideas, their economic priorities, and their economic concerns could now be taken up more actively in political platforms. There are certain other consequences also that we must remember, when discussing the First World War and its impact on India's big businesses and India's economy.

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Post First World War Developments

- **Diversification & expansion of Indian Industrial capital, investments.**
 - Gradual but steady displacement of British capital by Indian capital
- **Protective Duties on select goods**

And, the first feature that I want to analyze is to examine and highlight the diversification and expansion of Indian industrial capital and investments in the early part of the 20th century.

The early part of the 20th century also includes the First World War. So, not only was the First World War a major international disruption as far as international economy and business is concerned. For the Indian case it also was a path breaking historical moment, because immediately after the First World War a distinctive trend was noticeable as far as India's business history is concerned.

And, this trend was the gradual, but steady displacement of British capital by Indian capital. By a gradual in steady displacement, I mean that there were now trends, factors, and structures that were indicating towards a trend that in the years after 1918 a significant presence would now be commanded by Indian entrepreneurs, by Indian capitalists and by Indian financier's, Indian bankers and merchants.

So, the Indian business history had made a decisive Indian turn after the First World War conclusion. This trend was already noticeable in the early part of the 20th century, when the Swadeshi Movement made possible the coming together of Indian entrepreneurs and their forming links, with the political class of the Indian subcontinent, but in the years after the First World War. And, with the formalization of India's entrepreneurs, and the formalization of their economic influence into political influence meant, that the formal process of the displacement of British capital, and the British industrial might was now beginning to take shape.

This did not mean that the British economic prestige hegemony and dominance had come to be challenged by Indian interests, this was far from the case, but the successful business ventures of this period, whether it was the steel mine being established steel mills being established by the Tata's or whether it was the fabulous successes of the jute mills, cotton mills, of the Birla family. There were instances of frequent nature, whereby observers of the period could decisively conclude that Indian economic presence in the Indian subcontinent was witnessing a change for the better.

Indian presence in capital markets, Indian presence in industrialization and its expansion, and the Indian role, in furnishing, the war effort, of the First World War was the mincing examples of the might of India's entrepreneurial capability at this point.

Some of the important legislative pieces that were enacted in this period or some of the consultative committees that were established in this period like the Indian industrial commission of 1918, were becoming visible symbols of the growth potential of the Indian Economy during this period. Indian entrepreneurs were becoming global icons, during this period they were setting up institutions of global importance; they were becoming masters of international capital flows and services. And, they were also now becoming intimately familiar with the ways in which power could be exercised in political systems.

So, what began as a hesitant approach to hurt the economic interests of the British Empire during the Swadeshi days, by 1914 and 1918 had become a prominent political feature of the ways in which different Indian classes could come together, and articulate their positions more forcefully as far as politics and economics is concerned.

The second post First World War development that we have already discussed, but I want to explain a bit more was the idea of protective duties on select goods. The idea of discriminating protection was a brief halt to almost a century long rule of British officials in India, which had recklessly plundered India's resources and sucked out all the profits and revenue that could be sucked out and funneled into British household and British treasuries.

This came to a very brief halt in 1918, when the idea of discriminating protection came up, this idea itself was a product of the British strategic imagination, because it was felt that in a future conflict, there would be a necessary reliance on India's industrial might and capabilities.

So, it made sense from the British strategic perspective to preserve a section of that Indian Industrial Architecture. So, that future interstate violence campaigns could be prosecuted more successfully. The incidental side benefit of this was a spurt in India's industrial phase of this period. So, a lot more Indian entrepreneurs found it easy to set up industries and earn massive revenues out of it, because of wartime mobilization and wartime demands, but the idea that certain industries were worth British protection or certain Indian industrial sectors had an inherent strategic value, which necessitated British control or safeguarding of those Indian industrial interests was a unique feature of this period.

This idea of discriminating protection practically resulted into a slew of protective duties on different goods. So, steel imports or exports production of cotton textiles, jute textiles, the production of certain armaments or weapons were now deemed as strategic exercises and worthy of British protection.

So, starting from the 17th century when everything in India in the Indian subcontinent was up for grabs, by the colonial state by the early part of the 20th century and with the conclusion of the First World War certain key industries were now thought to be immune from this reckless British plunder and were now categorized as industries that should be safeguarded purely for the purposes of the strategic preservation of the British empire.

Just to offer you a brief summary of what we have discussed in this lecture.

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A Sum-up

- WW-I was an international disruption of gigantic proportions: Political, Economic, Social.
- Economic Growth: Speculative, Volatile & Uneven
- Short-term growth based on wartime demand
- "Discriminating Protection": British Economic Strategy

The first feature that we have to remember, when discussing the impact of the First World War on India's economy and business, is the fact that the First World War was an international disruption of gigantic proportions. Just as the American civil war, which was fought from 1861 to 1865 disrupted global supply chains and resulted in the decline of certain cities and the emergence of a different set of cities such as Bombay, which became an important supply of raw cotton and which inaugurated a series of industrial innovations in Bombay.

The First World War was also a 20th century international disruption that revolutionized the business landscape of the Indian subcontinent yet again. The international disruptive tendencies of the First World War had political consequences, it had economic consequences and it had social consequences. The political consequences of the First World War was or came in the form of awarding certain political reforms to Indians represented through the Morley Minto reforms of 1919, or the commissioning of the Indian industrial commission the report of which was tabled in the year 1919.

So, there were certain political impacts that were accrued to the Indian subcontinent after the First World War.

The economic consequences of the First World War were also significant an immense, the prime example of that economic consequence was the emergence and consolidation of the idea of discriminating protection to certain Indian industries, certain sectors of India's economy and business were found worthy of preservation and safeguarding as opposed to others. And, also protective duties were for the first time now imposed on the sale and receipt of certain Indian codes or protective tariff barriers were imposed on the import of British goods in into India in order to maintain the supremacy of Indian economic institutions in the subcontinent during this period.

There were also social consequences of the First World War. India was the largest supplier of men and materiel in this war effort within the British Empire and also globally, the historic role that India played in the First World War was also acknowledged by the government in 2015, when for the first time officially, it was recognized that the role played by Indian military forces and the combatants and non-combatants, during the First World War played a critical role in the way in which the war was ultimately won by the British Empire.

So, the social consequences, economic consequences and political consequences of the First World War together make this global event a major disruption as far as global business and

economics is concerned. It led to the development of new urban centers, it contributed immensely to the growth of existing big businesses in the Indian subcontinent it transformed, the economic fortunes of certain jute mills and cotton mills and it also transformed the lives of certain Indian entrepreneurs as they gradually became not just Indian icons in business and finance, but also globally recognized leaders in their industrial and management strategies.

So, the First World War depending on your historical location, your historical interests and geographical and political context had wearing consequences, but as far as the business history is concerned, it had an uneven and inherently unstable impact on different kinds of sectors as they existed in India during this period. The second feature that we discussed in relation to the First World War is the fact that the nature of economic growth during this period was largely speculative it was volatile and uneven.

So, the general trend of the growth of the Indian economy, which was also noticeable in the previous centuries, which is that notions of growth and projection of figures was based on a short term vision and there was speculation as far as projections are concerned, those speculative tendencies also crept in the early part of the 20th century. So, the industries that came up in response to this global conflict came up in a short span of time, their production cycles and their economic motives, were also short term, which was to furnish the needs of this global world.

And, the financial instruments and the financial services, that were rendered to support these industries also of the volatile and short term in nature. So, the massive banking crash that was witnessed in the early part of the 20th century was basically a result of the large scale collapse of these wartime industries, that came frequently and also declined as frequently, as they emerged on the Indian sub-continent landscape.

So, the short term growth uneven growth and the element of speculation, which is the need to earn more profits, but without taking into account the men's political and economic risks associated with that investment, contributed towards a high growth period during this time, but that high growth was also tempered by successive scales of depression, recession and ultimate collapse of the economic facilities, that came up in response to this international disruption. Needless to say this short term growth was based on wartime demand.

So, the demand for certain commodities drove the cycles for industrialization in the Indian subcontinent, as a result of which massive industries came up in a short space of time. So, the

4 year period in which the world was engulfed in interstate violence, in a business sense meant that a critical mass of industries came up that were devoted exclusively towards the prosecution of this world, which is why the First World War and also the Second world War for that matter are known as total wars in global history in this period.

A total war means not just a war that encompasses wide sections of global geographies, but also which is able to encompass a wide sector of industrial, economic, political and social spheres of activity within its fault. So, the First World War was the first 20th century example of a total war, in which not just military forces were engaged in international violence, but they were also a significant section of industry, factory, society, politics and economic and business sectors that were also devoted towards the management of this conflict.

So, the all-encompassing nature and the inter-sectoral linkages that the First World War was able to forge in this period contributed towards its categorization as a total war. And, a total war did not just have political consequences; obviously, it necessarily involves economic consequences and financial consequences. So, the real impact of the First World War as far as the economy and business whether in India or elsewhere in the world is concerned, it is true assessment or more whole some assessment of the First World War can only be accounted significantly, if we take into account the financial costs associated with the prosecution of this conflict.

Then the fourth important element of our discussion today was the idea of discriminating protection and how this was a unique British economic strategy of this period. So, just as the Indian political system was maturing over the course of these decades, whether it was the last years of the 19th century or the early part of the 20th century. The British colonial machinery also was evolving in its nature, aims and motives during this period. And, the idea of affording discriminating protection to certain Indian industries was a product of these times.

So, just as the Indian political sphere was becoming more radical and more vocal about its demands for self-rule, the opposing architecture of this period, which is the British colonial state was also devolving and evolving its own unique features and grappling with the ideas that could play, a true role in the greater exploitation of Indian subcontinent's economic resources. And, one skillful way to make use of India's immense reserves of manpower and economic resources was to safeguard these resources for any future conflict, which would dare to threaten the strategic interests of the British Empire.

So, the years from 1914 to 1918 are a subset of these larger historical trends whereby not just Indian instruments of political control and management of maturing and becoming more articulate in their engagement with the British colonial state. The British colonial state also in turn is responding to those developments and evolving its own strategies and mechanisms to make sense of this Indian political scene during this period.

So, two different forces are in sharp contention with each other during this period. And, this gives Indian history, Indian economic history and Indian business history a unique flavor in this period. In the next lecture we will discuss and examine the second international disruption of this period which is the Second World War and we will analyze its economic and business impact on India in the years from 1939 to 1945.

Thank you.