

A BUSINESS HISTORY OF INDIA: ENTERPRISE AND THE EMERGENCE OF CAPITALISM FROM 1700. By TIRTHANKAR ROY. pp. 298. Cambridge, Cambridge University Press, 2018. doi:[10.1017/S1356186319000312](https://doi.org/10.1017/S1356186319000312)

So much business history is concerned with case studies, but, by contrast, Tirthankar Roy puts theory at the heart of his book. The big question he seeks to answer is how could Indian capitalism flourish when the cost of capital was high, usually two or three times the level encountered in western Europe. The author does not place the problem of inequality at his centre because that approach makes India's globalization dependent upon Europe's globalization. Readers of his *India in the World Economy: from Antiquity to the Present* (2012) will be familiar with the way his work has reacted to the 'divergence' debate with its occidental perspective, and its difficulty in explaining the 'emergence' of the contemporary economy growing at eight per cent. This short book links the macro with the micro, synthesizes vast amounts of recent research and contributes, sometimes provocatively, to many current debates. It should be of great interest to business historians concerned with comparative debates, to economic historians, especially those who follow 'divergence' literature, and to those who wish to understand India's recent 'emergence'.

Ray brings to his subject a long and rich view of Indian business, far from the depressed and undifferentiated entrepreneurship envisaged by Marx and Weber and their followers. The reader may wonder why, then, 1700 has been chosen as his starting date. The book is about linkages, and the rapid acceleration of some of these in the modern period. India was a complex region. He has shown elsewhere, for example, that the economy of Bengal cannot be understood without paying attention to the internal geographical variety of the province. But the important linkage of modern times is between land and sea and the two types of capitalism side by side, but for long weakly connected. Significant change had begun from the thirteenth century with the Turko-Afghan empire in north India, but the appearance of the western maritime traders forced the pace. Ibn Battuta and Duarte Barbosa both show that the Indian Ocean commerce and the overland trade with Central Asia were becoming more closely connected. The Arabian Sea enjoyed a golden age of linked-up trade in the age of the Mughals, Safavids and Ottomans and soon early westerners began to connect to the Atlantic this Indian Ocean system and the inland grain trade behind it. Within a few generations the volume and price of grain shifted by bullocks around the Deccan had been transformed by the railways with their coastal connections. In 1790 it is reckoned that the Banjaras' bullocks could shift 10–12,000 tonnes; in 1900 the railways had the capacity to carry eight million tonnes. This was the world of a new sort of capitalism which became apparent in the early eighteenth century: joint-stock companies and contractual obligations for which there was no indigenous precedent. The scale of capital required for inter-oceanic trading, for industry, for railways was beyond the capacity of Indian business. Geography plays an important part in Roy's explanatory scheme. The historic high cost of capital is attributed to the unevenness of business activity forced by the monsoon climate.

The new world was not as European as Europeans have liked to imagine. As the Mughal empire broke up, many businesses chose to move to the new coastal cities. Had they not preferred the rule of western merchants to agrarian warlords, British rule would, Ray claims, have ended in 1857. Indeed, the East India Company's European trade remained heavily dependent on them until the last stage of sale and shipment. Ray shows the remarkable adaptability of Indian business, taking advantage of a colonial world that fostered greater economic choice while denying political choice. Had earlier economic historians studied Kachchh rather than Surat, they would have recorded the strong growth of Indian shipping in the Arabian Sea. Factory employment grew from near zero in 1860 to two million in 1940. By the inter-war period 50 per cent of the steel produced outside North America,

Europe and Japan came from India. Spinning and weaving output grew, except for the years 1860–80 when British exports took their toll. This takes the author back to his central argument about capital. Britain's advantage here did not come from the Industrial Revolution, whose innovations were rapidly disseminated, but from capital power, as seen with the railways which lowered prices rapidly and sensationally. The author has a startling example of adaptability from the turn of the twenty-first century. Most states had recently allowed private colleges to be set up, just as the new IT industry was generating massive demand for new graduates. Between 2000 and 2014 engineering student enrolment increased from a half million to nearly four million, and 90 per cent of these came from private colleges. By contrast with the dynamism of the port cities of the Raj, the agrarian scene was a horror story, even though the area of cultivated land almost doubled in colonial times.

Explanations of 'late industrialization' normally stress the agency of the state. In the case of India, Ray is sceptical, except for the period 1950–80, though he allows some official interest after the First World War had shown how dependent the country was on manufactured imports. Nor is he sympathetic to nationalists who have argued that foreign rule crippled Indian entrepreneurship; though he is clear that agriculture is largely outside his remit. The colonial state was weak, always operating before 1914 on less than seven per cent of national income. But the British empire provided a huge market with a common commercial law and language, which facilitated transfers of capital, technology and people, of which, as he shows, Indian business took considerable advantage. 'Migration persistence' has brought strong recent benefits with the backflow of IT entrepreneurs. Remittances from Indian workers in the Gulf provide an explanation for the timing of the new open era in the economy. The author believes that the positive effect on the balance of payments in the 1980s encouraged politicians to bring to an end the era of the Foreign Exchange Regulation Act.

In pursuit of what is Indian about Indian business, the familiar theme of caste and community is put into diminished perspective. The various groups known as Marwaris moved from inland banking and money lending to the cities, especially Calcutta. They brought with them an enduring reputation for rapacity which owed much to British officials who lacked knowledge of India's traditionally high interest rates and who, while standing for free trade, shrank from the social consequences. There is also much information about the Parsis who were far from being a traditional business community, moving into shipping when the Company's China trade ended, then to opium trading, and into industry with such success that by 1914–34 of the 95 cotton textile mills in India were theirs. The flexibility and willingness to work with other groups and individuals fits Ray's contention that whereas the strength of community among land trading communities has been overestimated, the weakness of such ties in the coastal cities has been underestimated. Here ritual and business communities did not necessarily overlap, and the scope for individual enterprise was greater. Nevertheless, the reader, noticing the extraordinary tenacity of the family firms, may ask: what is the appropriate unit of study, what exactly is this protean concept of community? Ray appears to take a dynamic contextual view, that communities are what they do rather than what they are. The nature of changes in managerial structure and to the corporate governance of firms after 1992 when capital became more readily available are further questions raised in this stimulating book but questions which perhaps cannot yet be satisfactorily answered. <[lionelknight@gmail.com](mailto:lionelknight@gmail.com)>

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