

VERNACULAR LIBERALISM, CAPITALISM, AND ANTI-IMPERIALISM IN THE POLITICAL THOUGHT OF DADABHAI NAOROJI*

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ABSTRACT. *Dadabhai Naoroji's 'drain theory' of British imperialism described the way in which a colonial government could abscond with the wealth of a dependent country, leaving it impoverished. This theory conceptualized 'poverty' as the negation of liberal 'citizenship'. As such, through an exposition of Naoroji's thought, this article offers an insight into both the origins of the Indian political subject and Indian anti-colonialism. In doing so, it opens up an avenue for investigating how Indian thinkers locally adapted modular concepts of a Western provenance and then reintroduced them into the metropole, contributing to the heterogeneity of the Victorian liberal canon. Finally, Naoroji's imperial critique is compared to that of prominent British anti-imperialists, especially John Hobson, in order to demonstrate that Dadabhai's economic account of empire not only predates Hobson's thesis but that it was more expansive in its criticism and more hopeful about the 'progress' of indigenous peoples.*

Recent intellectual histories of nineteenth-century imperialism have contributed significantly to understanding how empire could be justified in a liberal age, and, equally, how Indian thinkers vernacularized political and economic ideologies that were otherwise exploitative and robbed colonial subalterns of agency.¹ However, accounts of South Asian 'critics of empire' whose local politics in the periphery left an impact on metropolitan liberalism are few in

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* I would like to especially thank the late Chris Bayly for his comments on drafts of this article, laying the intellectual groundwork for its writing, and his limitless generosity. I would also like to acknowledge the incisive and helpful comments of the two anonymous referees.

¹ Jennifer Pitts, *A turn to empire: the rise of imperial liberalism in Britain and France* (Princeton, NJ, 2005); Karuna Mantena, *Alibis of empire: Henry Maine and the ends of liberal imperialism* (Princeton, NJ, 2010); C. A. Bayly, *Recovering liberties: Indian thought in the age of liberalism and empire* (Cambridge, 2012).

number.² That Indian thought also represented a significant ‘rupture’ with the conceptual norms of Western liberalism adds impetus to the need to study the impact of Asian thinkers on the Western canon.³

Indian thinkers inhabited a deeply fragmented society mediated by an ‘ethnographic’ colonial state that enumerated and represented Indians as essentialized communities and castes – an apolitical ‘population’ – rather than individuals with political interests.⁴ With an eye to the future, Indian thinkers were forced to refigure liberal concepts for a society in which the liberal political subject, the sovereign individual of Hobbes and Locke, ostensibly did not yet exist.⁵ Acknowledging this fact allows for a better understanding of how Western concepts were disembedded from their original contexts and reinserted into new ideological constellations. This challenges the simplicity of the impact-response model of nineteenth-century colonialism, and in tracing the export of these reconfigured ideologies back to Britain, we counter the homogeneity with which the Victorian liberal canon is presented in the works of scholars like Uday Singh Mehta.⁶ To this end, this article evaluates the origins and implications of Dadabhai Naoroji’s ‘drain theory’ of British imperialism – the first attempt to formulate a comprehensive economic critique of empire by theorizing an inclusive imperial citizenship. Finally, I situate Naoroji historically as a founding figure of *British* anti-imperialism and also the first liberal thinker who was able to bypass the persistent notion of ‘cultural difference’ in anti-imperial thought.

Naoroji lived in Britain for over half a century between 1855 and 1907, with short spells in Bombay, as a merchant, political activist, and member of parliament. Naoroji’s most well-known treatise, *Poverty and un-British rule in India* (1901) set out his liberal-capitalist ‘drain theory’.⁷ However, earlier incarnations of the theory emerged from the late 1860s and matured over four decades.⁸ Unfortunately, the non-canonical nature of Indian thought means

² The term is from Bernard Porter, *Critics of empire: British radicals and the imperial challenge* (New York, NY, 2008).

³ Shruti Kapila, ‘Global intellectual history and the Indian political’, in Darrin M. McMahon and Samuel Moyn, eds., *Rethinking modern European intellectual history* (Oxford, 2014), pp. 253–74.

⁴ Nicholas B. Dirks, *Castes of mind: colonialism and the making of modern India* (Princeton, NJ, 2001); Partha Chatterjee, ‘On civil and political societies in postcolonial democracies’, in Sudipta Kaviraj and Sunil Khilnani, eds., *Civil society: history and possibilities* (Cambridge, 2001), pp. 165–78; Faisal Devji, ‘Ambedkar and the politics of interest’, lecture delivered at Tata Institute of Social Sciences, Mumbai, 8 Aug. 2014.

⁵ Thomas Hobbes, *Leviathan*, ed. Richard Tuck (Cambridge, 1998); John Locke, ‘Second treatise on government’, in John Locke, *Two treatises on government*, ed. Peter Laslett (3rd edn, Cambridge, 1988), pp. 265–428.

⁶ Uday Singh Mehta, *Liberalism and empire: a study in nineteenth-century British liberal thought* (Chicago, IL, 1999).

⁷ Dadabhai Naoroji, *Poverty and un-British rule in India* (London, 1901).

⁸ Dadabhai Naoroji, ‘England’s duties to India’, read before a meeting of the East India association, 2 May 1867, in Dadabhai Naoroji, *Essays, speeches, addresses and writings of the hon’ble Dadabhai Naoroji*, ed. C. L. Parekh (Bombay, 1887) pp. 26–50.

that its contribution to British radicalism is often overlooked. Lacking seminal ‘texts’, the Indian canon must be reconstructed from newspapers, journals, speeches, and even personal correspondence.⁹ I use such sources to show that Naoroji’s activism on behalf of British labourers was co-extensive with his agitation on behalf of India. By contrast, the anti-imperialist thought of Naoroji’s prominent contemporaries, such as Richard Congreve and John Hobson, tended to rail ‘more against jingoism at home than imperialism in Africa’.¹⁰ Economic monopolists, aristocrats, and militarists in Britain were the targets of their radical broadsides; hence, traditionally Victorian anti-imperialism was seen as promoting a historical conception of ‘Englishness’ and English liberty that stood in opposition to overseas imperium.¹¹ This project omitted the latent liberties and political aspirations of non-Western cultures by default. Naoroji’s novel theory, however, was predicated on a single sociological framework with a materialist foundation for citizenship that could encompass the whole British empire.

Dadabhai’s theory took shape within the upheavals that accompanied the social decline of his Parsi community (Zoroastrian émigrés from Persia) in India. Paying close attention to the local ideational roots of Indian politics provides nuance to the view that bourgeois political thought in India was merely the outward expression of a colonizing Western rationality. Most closely associated with Partha Chatterjee, the ‘derivative discourse’ thesis of Indian nationalism, suggests that Indian elites imbibed and inverted Western reason, propagated via the Raj’s higher education institutions, to bring Indian subalterns into an indigenous system of bourgeois capitalist domination.¹² Chatterjee’s contention is that a genuinely anti-colonial nationalism must take shape in the private realm of Indian culture, shielded from the heteronomy of the colonial sphere.¹³ Nonetheless, Chatterjee’s important intervention does not convincingly explain why the inner domain of Indian identity is, or can be, quarantined from the outer domain of Western cultural and capitalist hegemony. Andrew Sartori insists, more convincingly, that Western and indigenous culture cannot be conceptualized as opposing and incommensurable epistemes in the colonial context, since indigenous peoples inhabited a world in which global capital’s generative hegemony had created the conditions for a specific conceptual framework. Henceforth, all emancipatory politics had to be framed in terms of the universal abstractions of the ‘human’ and the bourgeois

⁹ See for instance Bayly, *Recovering liberties*.

¹⁰ Porter, *Critics of empire*, p. 91.

¹¹ Mira Matikkala, *Empire and imperial ambition: liberty, Englishness and anti-imperialism in late Victorian Britain* (New York, NY, 2011).

¹² Partha Chatterjee, *Nationalist thought and the colonial world: a derivative discourse* (Tokyo, 1986).

¹³ Partha Chatterjee, *The nation and its fragments: colonial and postcolonial histories* (Princeton, NJ, 1993).

‘self’ that accompanied capitalism’s spread around the globe.¹⁴ However, in suggesting that it is only in specific structures of social practice that certain concepts emerge as useful in describing and evaluating the world, Sartori excessively reduces ideas to a function of the material contingencies of the capitalist sphere of circulation.¹⁵ The most useful of Sartori’s contributions is his insistence on the ‘object orientation’ of concepts and their ‘denotative capacity’ (what they seek to describe and explain in a given place and time).¹⁶ Thus, in India’s unique context, concepts would be differently orientated than in Europe. In tracing the local roots of Naoroji’s thought, I do not deny the force of Chatterjee’s thesis; rather, I accept the ubiquity of global capital and its attendant Western episteme but situate the possibility for Indian agency squarely in the realm of local politics. It is in understanding the specificity of Naoroji’s conceptual needs in Bombay that allows us to counter the flattening of the Victorian canon of anti-imperial thought by locating the uniquely Indian contribution within it.

I

Naoroji’s political awakening to the issue of imperial citizenship began with his Parsi community in Bombay. The Parsis were in a state of existential crisis in the mid-nineteenth century as priests, elders, and the English-educated professionals wrangled over the cultural and religious boundaries of their minority. This persisted through the nineteenth century and into the twentieth, having initially been catalysed by the proselytizing efforts of Christian missionaries in the 1820s. Christians, who regarded rationalistic monotheism as the most enlightened form of religious belief, denigrated Zoroastrianism as a naturalistic and dualistic faith, beholden to superstitious fire-worship. The situation was compounded in 1839 when two Parsi boys attending Rev. Dr John Wilson’s school were converted to Christianity, sparking condemnation and outrage from the Parsi *panchayat* – the community’s self-governing judicial body which regulated and enforced social norms via common consent.¹⁷ The *panchayat* was rebuffed when it petitioned the high court and asked the government for redress; consequently, the conversion episode dealt a heavy blow to the legitimacy of the *panchayat* and its ability to defend the boundaries of the group’s common religious identity. The attempt to ‘modernize’ on their own terms in the face of aggressive Christianization has been singled out as the prime reason Parsis turned to social reform.¹⁸ In addition, I suggest below that the

¹⁴ Andrew Sartori, *Bengal in global concept history: culturalism in the age of capital* (Chicago, IL, 2008).

¹⁵ Kapila, ‘Global intellectual history’, pp. 259–60.

¹⁶ Sartori, *Global concept history*, p. 47.

¹⁷ Eckehard Kulke, *The Parsees in India: a minority as agent of social change* (Munich, 1974), pp. 93–4.

¹⁸ *Ibid.*; Jesse S. Palsetia, *The Parsees of India: preservation of identity in Bombay city* (New Delhi, 2008).

type of citizen and society social reform was intended to produce, namely civil society, was substituted as an alternative means of social regulation in place of the direct juridical intervention of the *panchayat* in the wake of the conversion controversy.

The *panchayat*'s authority continued to decline through the nineteenth century, culminating in the Parsee Matrimonial Act and Parsee Succession Act of 1865. Both acts borrowed from British legislation, infusing it with an admixture of traditional Parsi customs and progressive measures. These new laws were the fruit of the Parsi law association (1855–64), a pressure group led by one of Naoroji's close colleagues, Naoroji Furdunji.¹⁹ The movement developed from tensions dating to the late 1830s when the older generation of *panchayat* members had refused to regulate their own social usages. The tipping point came in 1836 when a senior member, Naoroji Jamsetjee Wadia, resigned on the grounds that members of the *panchayat* were privately practising bigamy whilst adjudicating on the social affairs of the common Parsi. Alternatively, they ignored cases brought before them entirely. A *panchayat* member, Framji Cowasji, complained of the institution's ambivalence, adding that 'under such circumstances' the Parsis 'are forced to act independently of the Panchyat [sic]' and if this continues 'it will be impossible for the Panchyat [sic] to punish them for defying its authority'.²⁰ The marriage and inheritance laws succeeded in substituting matrimonial and civil courts for the *panchayat*, but in doing so they had also put the final nail in the institution's coffin – leaving a void in matters of day-to-day social arbitration.

This local issue provided Parsi thinkers like Naoroji with an explicitly Indian political problem upon which to use the concepts of liberal political economy – with novel results. The turn to social reform was not merely a defence against proselytizing Christian missionaries but also an attempt to achieve self-regulation of the Parsi community after the terminal enfeeblement of the *panchayat*. Those young Parsis, like Naoroji, who had benefited from higher education at state-sponsored colleges like Elphinstone in Bombay, believed that the *panchayat*'s social function could be fulfilled in the public sphere through education and the creation of rational, modular local citizens awakened to their social duties. Reminiscing in 1885, Naoroji remarked on the pre-reform 'state of society' as characterized by 'moral bondage and self-bondage' and a total absence of 'self-knowledge or self-reflection'.²¹ Western liberalism did indeed diffuse from Europe to Asia but its concepts, consumed by Indian students in the context of local politics, were reoriented. For instance, Naoroji approved of the report of Elphinstone College that showed that J. S. Mill's *Principles of*

¹⁹ Kulke, *The Parsees in India*, pp. 67–8; Palsetia, *The Parsis of India*, pp. 214–18.

²⁰ Manockjee Cursetjee, *The Parsee panchayet, its rise, its fall and the causes that led to the same: being a series of letters in the Bombay Times of 1844–5, under the signature of Q in the corner, published at the request of some gentlemen of the Parsee community and with the permission of the author* (Bombay, 1860), p. 24.

²¹ 'The late Mr C. N. Cama', *Times of India*, 9 Feb. 1885.

political economy took pride of place among Indian students because it furnished them with concepts useful to their political condition. When thinking about political economy, Europeans tended to assume that ‘Money, Money, Money, nothing but Money is Wealth.’²² Mill’s inductive methodology and insistence on building reproductive social capital was a breath of fresh air to educated Indians for whom ‘wealth’ had a public function – industrializing the country – as well as individual monetary gain.²³ The abstractions of political economy proved indispensable as a flexible language of critique and a roadmap for reform – making it the students’ favourite subject at Elphinstone.²⁴

The remainder of this section outlines what attributes the model citizen was expected to have, how Parsis used education to build a civil society from the ground up, and created a space that was ideologically and institutionally plural and in which the monolithic orthodoxies of their community elders could be challenged. This is, broadly speaking, the definition of civil society advanced by Gellner; however, I emphasize the fact that Bombay’s civil society, constituted by its associations, clubs, and newspapers, was not simply a space to challenge the state, as in Gellner’s description of the European experience, but also to challenge traditional Parsi elites.²⁵ The Parsi and Khoja Muslim riots of 1851 and 1874 demonstrate how anger was directed at the British authorities for failing to protect the Parsis, but how far more scathing opprobrium was reserved for the Parsi leaders who hid in their homes and did nothing to safeguard their community.²⁶ Humiliated young reformers found solace in the prospect of a new civic life freed of the *panchayat*’s diktat. Foucault offers the best description of the process in Europe whereby the juridical power of feudal hierarchies gave way to the liberal governmentality of civil society.²⁷ A similar process occurred in Bombay whereby the *panchayat*, which was concerned with physical boundaries, sovereignty, and coercion via injunction, was to abrogate its authority to a nascent civil society, in which the self-constitution of subjects was to be achieved through self-discipline imposed by liberal ideology. The disciplining element in liberalism was the discourse of ‘character’ – it would underscore both Naoroji’s social reform efforts and his later emphasis on the material dimension of imperialism.

²² ‘Review of the board of education, Bombay 1853–4: with special reference to the Elphinstone college’, Notes and jottings, education, group 3, fo. 7. Dadabhai Naoroji papers (DNP), National Archives of India, New Delhi.

²³ John Stuart Mill, ‘The principles of political economy with some of their applications to social philosophy, books I–II’ (1848), in John M. Robson, ed., *The collected works of John Stuart Mill*, online edn (33 vols., Toronto, 1963–91), II, p. 110.

²⁴ ‘Review of the board of education’, DNP.

²⁵ Ernest Gellner, *Conditions of liberty: civil society and its rivals* (London, 1994).

²⁶ R. P. Masani, *Dadabhai Naoroji: the grand old man of India* (London, 1919), p. 64.

²⁷ Michel Foucault, *Security, territory, population: lectures at the Collège de France* (London, 2009), p. 111; Michel Foucault, ‘On the genealogy of ethics: an overview of work in progress’, in Michel Foucault, *Ethics: subjectivity and truth*, ed. Paul Rabinow (New York, NY, 1997), pp. 262–9.

In a broadly capitalist world, 'character' was implicated in the actualization of the bourgeois 'self' and as such enjoyed wide purchase across the ideological spectrum during the nineteenth century. It emphasized independence, self-restraint, perseverance, and philanthropy. As Collini has noted, the Victorians valued these characteristics since they represented the qualities necessary for a well-functioning industrial society in which work replaced leisure as the sphere in which one demonstrated moral probity. The attributes of 'character' also countered the conformism that in a homogenizing commercial society might cause the enterprising spirit to stagnate.²⁸ Though the civic humanist tradition's emphasis on political participation at the expense of productive work continued to have some purchase, the emphasis of the 'character' discourse was overwhelmingly on the mastery of one's circumstances in the private sphere, the begetting of wealth, and contributing to the social betterment of others via philanthropy.²⁹ It was the materially and mentally independent citizen of the private sphere whose domestic virtues were expressed in the public realm through charitable acts, who constituted the ideal political subject for Victorian civil society.

The 'residuum', the bottom 10 per cent of the working classes, was viewed as the negation of bourgeois 'character'. Consequently, they had their political rights held in limbo on account of their ostensibly innate deficiencies. John Bright in the franchise debates of the 1860s insisted that the residuum could not be enfranchised because of its 'hopeless poverty and dependence...such as to give no reasonable expectation that they would be able to resist the many temptations...[that] men would offer them at periods of election'.³⁰ In the metropole, the popular perception was that the residuum's poverty was a sign of its low 'character', which in turn, so the circular argument went, marked their inability to engage in industrial activity. In India, as in Britain, the creation of the modern liberal subject was predicated on the reform of 'character' in the private sphere. The task of Indian thinkers was to open up a conceptual space in which the much more widespread poverty of India could not be used to besmirch its potential to incubate modern citizens.

Among Western-educated Parsis of the late 1840s, an Indian civil society created through simple pedagogy was the privileged model for creating self-regulating citizens. A letter in the *Bombay Times* from 'A Lover of Justice' poured scorn on those who continued to believe in a juridical mode of regulating society through the *panchayat* over that of self-regulating individuals. 'To what a pretty pass the world would come', he ruminated 'if a body of men were to constitute themselves the keepers and guardians of other people's

²⁸ Stefan Collini, 'The idea of "character" in Victorian political thought', *Transactions of the Royal Historical Society*, 35 (1985), pp. 29–50, at pp. 41, 44.

²⁹ E. F. Biagini, 'Neo-roman liberalism: "republican" values and British liberalism, ca. 1860–1875', *History of European Ideas*, 29 (2003), pp. 55–72; Collini, 'The idea of "character"', pp. 42–3.

³⁰ *Times*, 27 Mar. 1867.

consciences and reputations.³¹ Likewise, others fulminated on the inability of Parsis to participate in civil society correctly, in accordance with the public virtues associated with high ‘character’. Shapurji Sorabji complained that among fellow Parsis the ‘institution of [civil] Society [was] not appreciated’ because the ‘truly useful element – restraint – which is the mainstay in the formation and conduct of society, is to a great extent not willingly or gratefully owned by us’.³²

Education thus became the watchword of liberal reformers. For Naoroji, it was in the classroom, through moral and scientific instruction, that independence of thought and the subsequent good habits of ‘character’ that flowed from it were to be cultivated.³³ Founding the ‘students’ literary and scientific society’ in 1848 for developing the ‘character’ of young students, Dadabhai went beyond the simple dissemination of Western knowledge in English; rather, he adapted Western ideas to renovate Indian literature, music, and drama to impart moral lessons to the youth, inculcating a sense of duty, obligation, and individualism.³⁴ Additionally, Dadabhai insisted on moral education from cradle to grave regardless of class, gender, or age. Arguing for a renaissance in classical Indian drama and literature as a form of public instruction for adults, Naoroji claimed such recreational activity was essential because in adulthood ‘the schoolmaster is abroad’.³⁵ This revival of classical arts indigenized the ‘character’ discourse and presented it as having always been a feature of Indian cultural practices – only to be revitalized.

Traditionally, historians of the Parsis have identified the transition from educational and social reform efforts to anti-imperialism as a ‘natural outgrowth of the social and educational changes taking place under British colonialism, and to which Parsis and Indians had contributed’ – a view that largely corroborates Chatterjee’s derivative discourse thesis.³⁶ Below, I complicate the reasoning that Western education, in and of itself, leads to the politics of anti-imperial self-interest. As I suggested above, if Western rationality was imparted through imperial pedagogy, it owed its actual use in politics and society to local circumstances. These motivational impulses must be taken seriously alongside the desire for personal prestige and profit. For instance, the bourgeois exploitation model cannot adequately explain why Naoroji and his colleagues would advocate an increase in taxation on their own class in exchange for

³¹ *Bombay Times and Journal of Commerce*, 1 July 1848.

³² Sorabji Sharpurji, *The evil social customs at present prevalent among the Parsees and the best means of eradicating them* (Bombay, n.d.), p. 40.

³³ ‘A note submitted to the Indian education commission of 1882 by Dadabhai Naoroji. 16 Sept. 1882, Bombay’, evidence taken before the Bombay provincial committee and memorials addressed to the Indian education commission, 1884, IOR/V/26/860/6, India Office Records, British Library, London.

³⁴ *Proceedings of the students’ literary and scientific society, 1854–1855* (Bombay, 1857), p. 2.

³⁵ Notes and jottings, art and culture, group 2, fo. 7, DNP.

³⁶ Palsetia, *The Parsis of India*, p. 277.

abolishing consumption taxes that hit the peasantry hardest.³⁷ Indian political economy must be taken seriously as an internally coherent and meaningful set of ideas that critiqued the colonial economy in its own terms. Below, I suggest that social reform gave way to an anti-imperialism grounded in liberal political economy as the result of particular events that illustrated to Naoroji and others that community reform via education was no longer up to the task of creating a self-regulating civil society. The events of the 1860s marked the turning point in which ‘character’ was understood in an increasingly materialist way and in which the colonial state was gradually foregrounded as an obstacle to the making of Indian citizens.

II

The economic crisis which befell Bombay between 1864 and 1865 was the seminal event for the Parsis that called into question their faith in the future commercial prosperity of Bombay and their community. Likewise, the generous philanthropic donations that funded Parsi reform were threatened by the community’s economic decline. The crisis was rooted in the 1860 to 1864 cotton-trading boom in Bombay that was spurred by the increased British demand for Indian cotton during the American Civil War. Parsis were at the centre of the cotton trade, having diversified away from opium exports in the 1840s.³⁸ Within one year of the outbreak of hostilities in America, India accounted for 75 per cent of Britain’s cotton imports.³⁹ The temporarily inflated price that raw cotton fetched in Lancashire and the resulting influx of bullion to pay for it meant that in the early 1860s the initial enthusiasm for industrialism and cotton mill construction was drowned out by a wave of short-term speculation in financial instruments and land.⁴⁰ By the end of 1864, there were thirty-one banks, sixteen financial associations, eight land reclamation companies, ten shipping companies, and twenty insurance companies in Bombay. Sixty-two joint-stock concerns were established by 1865 when none existed in 1855.⁴¹ A precarious property bubble developed as native banks turned their attention to new sources of bumper profits. Naoroji’s friend and Parsi businessman, Dinshaw Wacha, described ‘the fashion among the prominent financiers of the day that the most influential bank should have at its elbow an equally influential financial and that as corollary or appendix to both, there should

³⁷ Bipan Chandra, *The rise and growth of economic nationalism in India: economic policies of Indian national leadership, 1880–1905* (New Delhi, 1966), pp. 530–3.

³⁸ Rajnarayan Chandavarkar, *The origins of industrial capitalism in India: business strategies and the working classes in Bombay, 1900–1940* (new edn, Cambridge, 2002), pp. 60–2.

³⁹ Dwijendra Tripathi, *The Oxford history of Indian business* (Oxford, 2003), pp. 101–2.

⁴⁰ Chandavarkar, *Origins of industrial capitalism*, p. 245.

⁴¹ Rekha Ranade, *Sir Bartle Frere and his times: a study of his Bombay years, 1862–1867* (New Delhi, 1990), p. 80.

be a powerful [land] reclamation company'.⁴² Unsurprisingly, when the Civil War ended and cotton prices plummeted, overleveraged businesses collapsed taking their investors' wealth with them. Wacha observed that there

was no such thing as banking in the real sense of the term, it was only a business of advancing loans to all and sundry on personal security and the security of worthless documents...the intrinsic worth of which was simply the value of the paper which certified what the paid-up capital was.⁴³

Bombay would experience a swift economic recovery as Parsi business hedged against fluctuations in cotton prices by investing in cotton mills. Nonetheless, historians have underestimated the psychological impact of the crisis on the Parsi community.⁴⁴ Many of the great mercantile families had been laid low and this was a bitter pill to swallow for a community that was regarded as the toast of the town earlier in the century. Prestigious philanthropic families were no longer in a position to fund the infrastructural, educational, and healthcare schemes that had brought them renown among the British and their own community.⁴⁵ The Parsi baronet and philanthropist Sir Jamsetji Jeejeebhoy suffered heavy losses, whilst his brother went bankrupt. Naoroji's business partners and fellow social reformers, the Camas, suffered similar financial woes.⁴⁶ In the 1870s, the Parsi newspaper *Jam-e-Jamsed* clung nostalgically to the memory of the Parsis as a class of 'native brokers' not only facilitating European trade but in regular intercourse with European society.⁴⁷ The social anxiety which plagued Parsis was the abiding belief that the instability of financial capitalism had led to the transfer of wealth to less publicly minded groups. D. F. Karaka, a chronicler of Parsi history in the 1880s lamented that

[T]he character of Parsi charity, not neglecting the special interests of its own community, has always been catholic, while, with the solitary exceptions of Mr. Premchand Raichand and the late Mr. Gokaldas Tejpal, benevolent Hindu and Mahomedan gentlemen have restricted their charities to objects specially benefiting their own respective races.⁴⁸

The large Parsi landholders in Surat who suffered in the speculative frenzy saw their property transferred to rival communities and Europeans.⁴⁹ The fear of the 'social wreckage and ruin' through economic imprudence haunted Parsi

⁴² Dinshaw Wacha, *A financial chapter in the history of Bombay city* (Bombay, 1910), p. 35.

⁴³ *Ibid.*, p. 45.

⁴⁴ Chandavarkar, *Origins of industrial capitalism*, p. 65.

⁴⁵ Wacha, *Financial chapter*, p. 209; Govind Narayan, *Mumbai: an urban biography from 1863*, trans. Murali Ranganathan (London, 2008), p. 135.

⁴⁶ J. Masselos, *Towards nationalism: group affiliations and the politics of public associations in nineteenth-century Western India* (Bombay, 1974).

⁴⁷ Reprinted in *Bombay Gazette*, 5 May 1870.

⁴⁸ Dosabhai Framji Karaka, *History of the Parsis: including their manners, customs, religion and present position* (2 vols., London, 1884), II, p. 271.

⁴⁹ *Ibid.*, p. 260.

public opinion sufficiently to result in an explicit shift away from financial to industrial enterprises.⁵⁰ The necessity of accumulating capital that could not be siphoned off by more inward-looking communities became a Parsi priority if social reform was to be effective. In this vein, *Jam-e-Jamsed* thought it necessary 'to administer some wholesome advice to the Native merchants to induce them to make a good use of the money in the interest of bona fide trade, and not to squander it in mere speculation, as they did about three years ago'.⁵¹ As 'the edifice of industrialism' was substituted for the 'detritus' of finance, Wacha suggested that industrialism was the only 'solid foundation' upon which the prosperity of the community could rest.⁵²

As the next section reveals in more detail, at the heart of the Western-educated Parsi's faith in industrial capitalism was its ability to transform social relations and create virtuous citizens, a concept that was intimately linked to the productive and consumptive capacities of labour. As we shall see, it was this realization that would allow Dadabhai to extend his theory beyond India to the metropole on equal terms. The cotton boom had demonstrated that an influx of capital generated a large demand for peasant labour but that this plateaued owing to the difficulty of reinvesting the vast quantities of surplus cash in productive enterprises.⁵³ It was noted that during the boom only some capital was used in the employment of labour, whilst the rest was taken out of the country, inappropriately invested in speculative schemes, or hoarded by indigenous capitalists.⁵⁴ Similarly, in the wake of the crash a vast amount of labour was thrown out of employment and it dawned on Indian industrialists and the government alike that accumulated capital ought to be used in more productive enterprises.⁵⁵ The upshot was that capitalism based on reproductive labour, manufactures, and trade was increasingly emphasized as the only legitimate form of productive activity.⁵⁶ This dovetailed with the intelligentsia's re-envisioning of Indian society as a realm in which the 'character' discourse enjoined its members to master their own powers of production and wealth creation as a way of achieving and demonstrating self-discipline. Specifically praising the industrial qualities of the Parsis in the aftermath of the share mania, Govind Narayan entreated other communities to emulate them in language that echoed western India's recent preoccupation with character and production:

It is clear that wherever there is industry, fairness, single-minded devotion and religion, Lakshmi (the Hindu goddess of wealth) will automatically be there...Lethargy is the abode of sin. As lethargy increases in a community, they are slowly

⁵⁰ Wacha, *Financial chapter*, p. 24.

⁵¹ *Jam-e-Jamsed*, 11 May 1868, from *Report on native papers (RNP)*, Bombay, Apr. to Dec. 1868.

⁵² Dinshaw Wacha, *The life and work of J. N. Tata* (new edn, Madras, 1915 (orig. edn 1914)), pp. 3–5.

⁵³ 'The catastrophe in Bombay', *Times of India*, 25 July 1865.

⁵⁴ *Jam-e-Jamsed*, 9 Dec. 1868, *RNP*, Bombay, Apr. to Dec. 1868.

⁵⁵ *Annual report of the Bombay Presidency*, 1864–5, pp. 56–7.

⁵⁶ Wacha, *The life and work of J. N. Tata*, p. 93.

impoverished. And if one becomes poor, one should assume that one has many shortcomings.⁵⁷

In the context of economic turmoil, the Parsi fixation with ‘character’ and individual productivity raised questions about the nature of labour in general. Naoroji was the first systematically to address these concerns, resulting in the first comprehensive, theoretical attack on British imperialism as an economic system.

III

Naoroji’s drain theory of imperialism summed up in *Poverty and un-British rule* encapsulated his economic critique of the imperial system. However, this section also reveals how this critique is grounded in Dadabhai’s aspiration to turn both Indian peasants and the British residuum into modern citizens. The economic crisis of the 1860s reoriented ‘character’ towards a more materialist definition. In general, the drain theory claimed that the national resources of India were appropriated via the council bill system, whereby Indian exports were paid for by council bills obtained in London, which were in turn exchanged for rupees at Indian exchange banks to finance production and export. Since these rupees came partly from the Indian taxpayer, the indigenous population was financing the extractive mechanism of British firms but receiving none of the profit. The essence of the argument was that the surplus drained away could have been invested in the economic development of India.⁵⁸ Equally, Goswami has rightly described the drain paradigm as providing ‘the analytical and normative categories’ to enable nationalists to ‘re-territorialise cultural space...in the face of globalisation’, thereby using political economy to allow Indians to conceive a national space.⁵⁹ However, this is little more than a description of how national political space was discursively inscribed in the Indian mind. The deeper relevance of the drain theory in addressing a uniquely Indian problem remains underdeveloped in Goswami; specifically, Naoroji’s goal was to create Indian political subjects, without which there could be no Indian politics, nationalist or otherwise. Indeed, in the absence of Indian political subjects, national space becomes irrelevant. The centrality of poverty to the paradigm must be explained. For Dadabhai, poverty did not just denote material want but was deeply implicated in ‘character’ and citizen formation.

Dadabhai’s drain theory was based on the productivist assumptions surrounding the ‘character’ discourse mentioned above, and served as a paradigm to explain why a community of self-reliant producers had not been created in

⁵⁷ Narayan, *Mumbai*, p. 203.

⁵⁸ Sugata Bose and Ayesha Jalal, *Modern South Asia: history, culture and political economy* (London, 1998), pp. 100–1.

⁵⁹ Manu Gowami, *Producing India: from colonial economy to national space* (Chicago, IL, 2004), pp. 11–13.

India; yet, it also emphasized a corollary activity that rendered one a fit member of civil society – consumption. The analysis below shows that it was a theory that explicitly linked the inherent transformative capacity of free-market capitalism to the creation of modern citizens and attempted to identify interfering social and political forces to this process. James Thompson has recently identified British ‘public opinion’ as being largely coterminous with that of the respectable middle classes (those of high ‘character’) as opposed to that of the ‘people’, which included the working classes and residuum. He adds that because Britons imagined themselves as a free-trading nation, bourgeois public opinion expressed itself as a national cohort of consumers.⁶⁰ It is striking that Naoroji repeatedly made the link between trade, consumption, and ‘character’. He often paraphrased extracts from Thomas Babbington Macaulay that pertained to the reciprocal nature of the free trade compact. A particular favourite was Macaulay’s 1833 speech on the government of India.⁶¹ Naoroji used it to enunciate the equivalence between civilized men, as self-governing producers and consumers, against unproductive, uncivilized men, governed by direct juridical power:

It would be, on the most selfish view of the case, far better for us that the people of India were well-governed and independent of us, than ill-governed and subject to us; that they were ruled by their own kings, but wearing our broadcloth, and working with out cutlery, than that they were performing salaams to English collectors and magistrates, but were too ignorant to value, or too poor to buy, English manufactures.

Ritu Birla has castigated Macaulay’s statement as a call to enforce market rationality on India for Britain’s own profit.⁶² What Birla’s account omits is the conclusion of Macaulay’s passage that insists that ‘to trade with civilized men is infinitely more profitable than to govern savages’.⁶³ Naoroji understood that ‘trade’ implied production and consumption of manufactures by each trading partner. A fair trade under normal economic conditions was by definition a mutually beneficial, reciprocal arrangement. Under the imperial system, Naoroji noted that so called free trade ‘between England and India in a matter like this is something like a race between a starving, exhausted invalid and a strong man with a horse to ride on’.⁶⁴ This situation was entirely due to the inequality of the economic contract between Britain and India, an inequality that

⁶⁰ James Thompson, *British political culture and the idea of ‘public opinion’, 1867–1914* (Cambridge, 2013), pp. 42, 56–7.

⁶¹ Naoroji’s annotated extract of this speech, E-72 (90), DNP.

⁶² Ritu Birla, ‘Law as economy: convention, corporation, currency’, *UC Irvine Law Review*, 1 (2012), p. 1016.

⁶³ Thomas Babbington Macaulay, ‘Government of India’, 10 July 1833, in *The works of Lord Macaulay: speeches, poems and miscellaneous writings* (12 vols., London, 1898), 1, p. 584; quoting Macaulay in Naoroji, *Poverty and un-British rule*, p. 277; E-72 (90), DNP; Hansard, House of Commons debates 14 Aug. 1894, xxviii, c. 1055.

⁶⁴ Naoroji, ‘The poverty of India, part I’, in Naoroji, *Essays, speeches, addresses*, p. 217.

was perpetuated via the political constitution of the Raj. Naoroji claimed that a significant portion of the land revenue extracted by the state was forwarded as credit to British capitalists for their own business, leading to a British monopoly over the resources of the country. Under monopolistic conditions how could the 'perfect free trade' exist between Britain and India?⁶⁵ To illustrate this, Naoroji divided the national product of India into exports and imports per capita, foregrounding the relationship between an imperfect trade and the deleterious impact on individual production and consumption. Britain exported goods worth £6 per capita and Australia £19, whereas India managed a paltry 4s.⁶⁶ Likewise, India imported a mere 9s per capita to Britain's £9.⁶⁷ Putting surpluses for export aside, this prompted Naoroji to pose the question of whether India was even 'in a condition to produce enough to supply all its wants?' He replied with an emphatic no.⁶⁸ The British system had stripped Indians of their innate, independent productive character, relegating them to impoverished 'hewers of wood and drawers of water'.⁶⁹ Far from being the self-governing agents of a market economy, Indians were economic dependants or 'helots', artificially prevented from production and consumption alike – and, most importantly, barred from entry into civil society.⁷⁰

In addition to identifying the asymmetrical economic relationship between empire and colony that prevented the creation of modern citizens, Naoroji also blamed the extreme inequality within India itself. The economic crisis in Bombay opened up a new conceptual space for a vernacular political economy centred on the productive primacy of labour over capital. Irrespective of foreign domination, Naoroji claimed that the absence of the perfect free trade was also felt in the bargain between labour and capital and this had an equally prohibitive impact on the productive and consumptive powers of the Indian. Dadabhai opined that the unequal bargain struck between employer and employee determined an unfair wage for labour and that this process was inherent to capitalism itself. Naoroji reminded his readers that in India it 'must, moreover, be borne in mind that every poor labourer does not get the full share of the average production. The high and

⁶⁵ 'Evidence before the royal commission on the administration of the expenditure of India', in Dadabhai Naoroji, *The grand little man of India: Dadabhai Naoroji, speeches and writings*, ed. Moin Zaidi (New Delhi, 1985), pp. 270–2.

⁶⁶ Naoroji, 'On the commerce of India', read before a meeting at the Society of Arts, London, Wednesday, 15 Feb. 1871, in Naoroji, *Essays, speeches, addresses*, p. 116.

⁶⁷ Naoroji, 'The wants and means of India', previously circulated among the members, taken as read, in a meeting at the Society of Arts, London, Wednesday, 27 July 1870, *ibid.*, pp. 102–3.

⁶⁸ *Ibid.*, p. 97.

⁶⁹ Naoroji, East India revenue account: amendment for a full and independent parliamentary enquiry, 14 Aug. 1894, in Naoroji, *Poverty and un-British rule*, p. 282.

⁷⁰ Naoroji, 'England's duties to India', p. 35; Naoroji's annotations on *Liberal Magazine* article in Mar. 1902, E-72 (67), DNP.

middle classes get a much larger share, the poor classes much less, while the lowest cost of living is generally above the average share.⁷¹ For Naoroji, the injustice of this unequal bargain stemmed from the fact that he understood the creation of all value, and therefore all capital, as solely an act of labour upon land (explained in greater detail in section IV). Dadabhai thus had an exclusively *labour* theory of value. Therefore, capital had no right to claim a greater share of the profits of production. It was the productive primacy of labour and its constitutive role in the wealth creation process that allowed Naoroji to question the supposedly productive investment of the British, such as that of railway construction. Naoroji took exception to Charles Danvers's claim in a paper of January 1879 that railways were 'enhancing the value of food grains and adding, *pro tanto*, to the wealth of the districts through which they run'. Naoroji claimed that it was naïve to say that just because the wheat was priced at 100 hundred rupees in Punjab and fetched a greater sum in Bombay that one had *created* value or wealth. The difference in price was merely that owed to middlemen and the wealth it was drawn from had already existed in Bombay before the wheat was moved an inch. 'Such "railway wealth" does not exist', Naoroji corrected Danvers and the secretary of state for India, sardonically adding that '[i]f the mere movement of produce can *add* wealth, India can become rich in no time...But there is no Royal (even railway) road to material wealth. It must be produced from the materials of the Earth till the great discovery is made of converting motion into matter.' If the government was not promoting labour productivity, it was not promoting wealth creation. On the contrary, if India's railways were purely moving goods to ports for export, for which, according to the drain theory, they would not even be adequately paid, then what were India's railways but a tax on the producers of the nation?⁷²

Naoroji's labour theory of value differed from Ricardo's labour theory of value, which maintained capital's constitutive role in the labour process. That is to say that Ricardo admitted that the price of a commodity was determined by its cost of production (the amount of labour that went into making the commodity) and also factored in the labour that went into making the capital and procuring the raw materials. Nonetheless, Ricardo did not suggest that labour had a right to the whole share of the profit since capital was still indispensable as an organizing factor of production.⁷³ Naoroji, however, like the radical Ricardians of the 1820s and 1830s, claimed that labour had a right to the whole product of economic activity since capital functioned as a prop to labour but was not integral to its ability to create value. Rather, value ought to be determined exclusively by the labour-hours taken to produce each

⁷¹ Naoroji, 'Poverty of India, part I', read before the Bombay branch of the East India association, 28 Feb. 1876, p. 190.

⁷² Naoroji, 'Condition of India – correspondence with the secretary of state for India, 1880', in Naoroji, *Essays, speeches, addresses*, pp. 443–4.

⁷³ David Ricardo, *On the principles of political economy and taxation* (London, 1817), ch. 1.

commodity.⁷⁴ It was this rejection of the Ricardian orthodoxy that allowed Naoroji to reposition the labour process as the only legitimate factor of production. In this spirit, he reminded the workers of his constituency in Finsbury, to which he had been elected in 1892, of their rights, declaring that capital had no claim on a larger share of production and that the rent-seeking claims of capitalists were illegitimate ‘for after all capital was merely crystalized labour, stored up and preserved’. What had employers actually *produced* to earn their profits? The unjust dynamic immanent to capitalism had robbed labourers of their consumptive capacities and granted overblown consumptive powers to an unproductive class of monopolists, allowing them to claim the rights of ‘character’-based citizenship while excluding sections of the British working class and whole swathes of the Indian peasantry.

The asymmetric trading relationship between Britain and India was just a global version of the capital–labour exploitation paradigm. India was a land of exploited producers, creating all the value to be reaped unjustly by Britain. In not being justly remunerated for its productive labour and being rendered incapable of consumption, Indians could never attain the habits of self-reliant market agents. On a smaller scale, the working classes of Britain were victims of the same processes that Indians were. Naoroji asserted that British employers were able to own capital only through credit via loans from British banks; moreover, the reserves of these banks were not the product of capitalists but ‘national wealth’ created by labour.⁷⁵ Thus, employers used wealth created by labour to commodify labourers and force an unequal wage bargain on them. This is analogous to the process in India described above in which Naoroji asserts that British capital in India exerted control over the country’s resources only because the presidency banks’ reserves consisted of land revenue extracted from Indian producers. The final section compares Dadabhai’s comprehensive analysis of the imperial economy, which identifies a formal equivalence between British and Indian labour, to that of Naoroji’s metropolitan peers.

IV

For Naoroji’s contemporaries in anti-imperial thought, creating Indian citizens or conceptualizing a realm of Indian politics simply did not enter their minds. Richard Congreve and John Hobson characterize two of the most influential schools of anti-imperialism in late nineteenth- and early twentieth-century Britain. Congreve was the leader of the British positivists and for him and his Comtean colleagues, like Frederic Harrison, *English* political virtue and civic unity could only be safeguarded by the small state. They regarded the sprawling imperial leviathan as having been blundered into by capitalists and militarists in

⁷⁴ Noel W. Thompson, *The people’s science: the popular political economy of exploitation and crisis, 1816–1834* (Cambridge, 1985), pp. 20–1.

⁷⁵ ‘Finsbury politics’ in *Holborn and Finsbury Guardian*, 18 June 1892.

the face of sound political reason. Positivists were suspicious of Cobdenite free trade and laissez-faire as the right mechanism for achieving liberty; for them, co-operation, social duties, and mutual trust were the motors of progress in small communities.⁷⁶ The integration of the British working classes into the broader 'social organism' mattered to positivists insofar as labourers were seen as the natural enemies of aristocratic empire.⁷⁷ Congreve did publish a pamphlet entitled *India* in 1857 that demanded Britain's withdrawal from the subcontinent. However, of note is the fact that Congreve's rationale for withdrawal was the same as that which some imperialists used for justifying the continuation of empire – that the Western civilizing mission had corrupted and distorted an already weak religion and culture – so India either had to be abandoned entirely or protected by the colonial state from further social disintegration.⁷⁸ Thus, whilst Congreve and Harrison could launch attacks on classical political economy and the British governing classes, as Naoroji did, they still upheld the discourses that conceptualized Indians as a congeries of communities bound by culture and custom and incapable of forming the 'character' necessary to produce an indigenous political space.

Hobson's economic critique of imperialism was much closer to Naoroji's than that of British positivism. Hobson understood imperialism as symptomatic of an impoverished, underconsuming proletariat; in turn, this inexorably led to the extension of state power abroad to satiate an overproducing capitalist class in their search for new markets and a greater rate of return.⁷⁹ Thus, British democracy was subverted and manipulated into pursuing militarism, despotism, and jingoism abroad by financial monopolists. The prescribed cure was state-intervention in the metropolitan economy in order to alleviate poverty and stimulate demand, thereby eliminating the rationale for imperial expansion and returning British liberalism to true free trade principles. This was intended, in the same vein as positivism, as a critique of domestic economy and politics. Hobson's focus on the distributive imbalance between producers and consumers seemed to echo Naoroji's own – pointing out that if miners in successful businesses get remunerated on the same level as those in failing ones, then clearly the capitalist appropriates excessive surplus value. Equally, Hobson's rationale for social reform was akin to Naoroji's post-1860s claims in India, 'to raise the wholesome standard for private and public consumption for a nation, so as to enable the nation to live up to its highest standard of production'.⁸⁰ Nevertheless, Hobson could not go so far as to apply the same language to India; like the positivists, he concluded that the abstractions of classical political economy could not be applied to 'low-typed unprogressive races'.

⁷⁶ Gregory Claeys, *Imperial sceptics: British critics of empire, 1850–1920* (new edn, Cambridge, 2012), pp. 65–6.

⁷⁷ *Ibid.*, pp. 101–3.

⁷⁸ *Ibid.*, pp. 60–1; Mantena, *Alibis of empire*.

⁷⁹ J. A. Hobson, *Imperialism: a study* (London, 1902).

⁸⁰ *Ibid.*, pp. 89, 93–4.

Whether independent or supported by Western guidance, Hobson believed India ought to be encouraged to supply raw materials for the socially reproductive processes of European industry because, left to their own devices, non-Western peoples did not possess the 'ordinary economic motives and methods of free exchange to supply the growing demand for tropical goods'.⁸¹

Unlike his European counterparts, Naoroji targeted the colonial state as the source of India's economic irrationalities. It was this move that allowed him to subvert the claim that culture hindered Indians' political development by substituting British political economy. It was this aspect of Naoroji's thought that made it explicitly anti-colonial over the long term, culminating in a demand for self-government in 1906.⁸² If Indians were 'unprogressive', they had been made this way by an imperial system which prevented their productive and consumptive powers, and thereby their 'character', from being fully developed. Naoroji fixed his gaze on the Indian Civil Service as the primary vehicle through which Indian economics could be set right. He maintained that the largely anglicized Civil Service in India was one of the prime mechanisms by which the products of Indian labour were consumed by a *rentier* class of bureaucrats who remitted this wealth in the form of salaries and pensions to Britain. Though entitled to compete in England en par with Europeans, religious and financial obstacles prevented Indians from travelling abroad to sit the Civil Service exams.⁸³ At any rate, only subordinate positions were available to Indians in the unconvenanted service. Though a statutory service was established in 1870 for Indians it was only via official nomination, the majority of Indians remaining unconvenanted. In 1892, problems were compounded when the unconvenanted service was abolished and Indian officials were relegated to the provinces.

Naoroji no doubt concurred with Hobson and James Mill that the colonial administration was a 'vast system of outdoor relief for the upper classes'.⁸⁴ However, Naoroji was more concerned than Hobson about the impact of this on the Indians themselves. Dadabhai explicitly applied his exploitation paradigm to the Indian administration, reminding Lord Welby, who headed the Royal Commission of Indian Expenditure from 1895, that the 'bane of our system was that the advantages were reaped by one class and the work was done by another'.⁸⁵ Naoroji advocated simultaneous exams in Britain and India as a solution so that more Indians could compete for Civil Service posts.⁸⁶ However, contrary to the claims that this was just an attempt by the

⁸¹ *Ibid.*, pp. 237–8.

⁸² Dadabhai Naoroji, 'Presidential address, twenty-second session of Congress, Calcutta, 1906', in Naoroji, *The grand little man of India*, pp. 76–7.

⁸³ Naoroji to Khurshedji Cama, 4 June 1856, DNP.

⁸⁴ Hobson, *Imperialism*, p. 56.

⁸⁵ Naoroji to Lord Welby, Oct. 1895, DNP, p. 20.

⁸⁶ Naoroji, 'The Indian Civil Service', read before an evening meeting of the East India association, London, Tuesday, 13 Aug. 1867, in Naoroji, *Essays, speeches, addresses*, p. 352.

Indian professional classes to secure government posts and pay, Dadabhai insisted that it was an issue of 'life and death' for 'the whole of British India'.⁸⁷ Nor was administrative economy his motivation. The employment of Indians would not just be cheaper 'but [a] *complete gain* to the whole extent of his salary'.⁸⁸ Naoroji's primary intention was to ensure that salaries paid out of the production of the nation remained in India. This would be a boon specifically for the middle classes who suffered from a dearth of capital. These classes were the traditional merchants, traders, and manufacturers whom deindustrialization, competition, and economic crisis had left comparatively destitute. Employed by the state, they could eventually invest accumulated capital to reindustrialize the nation.⁸⁹

Naoroji's emphasis on administrative self-government placed the state at the centre of his plan to correct the unequal exchange between capital and labour. He used the example of Punjabi soldiers' salaries as a microcosm of what would happen if the middle classes were allowed to constitute the majority of the Civil Service. Naoroji noted that the remission of salaries back to Punjab resulted in 'an increase in agricultural capital, a freer circulation of money, and a fresh impetus to cultivation'.⁹⁰ The same would result at a national level if government salaries remained in the country. Only when the productive and consumptive power was returned to the middle class could labour be reproductively employed. Failing this, 'the capability of labour' would continue to go on 'deteriorating continuously'.⁹¹ It was the exclusion of the middle class from capital accumulation that prompted the rustication of the whole nation by inhibiting the reproductive power of the Indian labourer. It was this observation that prompted Dadabhai to insist that Civil Service reform was paramount and that 'other political reforms will benefit us by very little indeed if this reform of all reforms is not made'.⁹²

The conceptual arrangement that allowed Naoroji's drain to be applicable to all races and cultures, the productive primacy of labour, was simply absent from Hobson's *Imperialism*. Capital still retained its right to a higher rate of return than labour on account of its ability to organize production. The state was to intervene in the market to augment working-class consumption where it was deficient. This would essentially inject demand into the *domestic* economy and reinvigorate the profit yielding power of capital, thereby eliminating the need

⁸⁷ Discussion at a meeting of the East India association at which Mr A. K. Connell read a paper on the 'Indian Civil Service', July 1887, *ibid.*, p. 378.

⁸⁸ Naoroji, 'Third day's proceedings at the first Indian National Congress', 30 Dec. 1885, in Naoroji, *Essays, speeches, addresses*, p. 330.

⁸⁹ Naoroji, 'Admission of educated natives into the Indian Civil Service', read before a meeting of the East India association, 17 Apr. 1868, in Naoroji, *Essays, speeches, addresses*, pp. 86–8.

⁹⁰ Naoroji, 'Financial administration of India', addressed to the select committee on East India finance 1871, in Naoroji, *Essays, speeches, addresses*, p. 138.

⁹¹ Naoroji, 'Poverty of India, part I', p. 212.

⁹² Naoroji, 'Third day's proceedings', p. 325.

to conquer new markets abroad.⁹³ In Hobson's view the capitalist producers and the consuming 'public' were conceptualized as potentially antagonistic groups who, nonetheless, needed one another. Thus, Hobson supported workers' co-operatives only insofar as they generated an investible surplus for consumption by cutting out wasteful middlemen and allowing capitalists to raise their rate of return at home.⁹⁴ By contrast, as we have seen, the Indian experience had led to the development of a labour theory of value in which producers and consumers were regarded as commensurate with one another. The producer in Dadabhai's imagination was both the industrialist and the humblest peasant. It was only when each was rewarded justly according to his work that he had the consumptive power to reproduce and augment his labour. It was for this reason that Naoroji supported co-operative production – it promoted the equal distribution of wealth between shareholders, workers, and customers. All three groups were regarded as equally producer and consumer in the co-operative mechanism.⁹⁵ Naoroji's and Hobson's difference of opinion about the role of workers' co-operatives originated from another conceptual difference between them. As alluded to in section III, Naoroji recognized land as a natural factor of production. Thus, capitalist rights of ownership did not entitle them to extract rent since they had not created the value of natural resources themselves. This allowed the Naoroji to develop a capitalist critique that could incorporate Indian peasants and unskilled British labourers, who were merely low-level consumers, into a critique of capitalism; since they too could be producers if only political and economic arrangements allowed it. Hobson never assented to this view, casually dismissing the popular support for the land nationalization proposals of the American political economist, Henry George, as an 'interesting testimony to the naiveté of the British mind'.⁹⁶

George's views on land coincided with Dadabhai's – both insisted that the action of labour upon the God-given bounty of land was the source of all wealth. However, Naoroji's concerns about the relationship between the state, land, labour, and 'character' were undoubtedly influenced by earlier experiences in India that pre-dated Henry George's popularity. Among these experiences were the various Indian famines of the late 1860s and 1870s, particularly in Rajputana.⁹⁷ In 1873, Naoroji and Furdunji travelled rural Gujarat to collect information for the Select Committee on East India Finance to which they were

⁹³ Hobson, *Imperialism*, pp. 88, 95.

⁹⁴ J.A. Hobson, *Confessions of an economic heretic: the autobiography of John A. Hobson*, ed. Michael Freedon (Hassocks, 1976 (orig. edn 1938)), p. 27.

⁹⁵ London productive society of the co-operative cocoa and chocolate makers to Naoroji, 11 Sept. 1889, L-107d, DNP.

⁹⁶ Henry George, *Progress and poverty: an inquiry into the cause of industrial depressions and of increase of want with the increase of wealth: the remedy* (London, 1884); Hobson, *Confessions of an economic heretic*, p. 27.

⁹⁷ Naoroji, 'On the commerce of India', p. 122; David Hall-Matthews, *Peasants, famine and the state in colonial Western India* (Basingstoke, 2005).

both to present evidence. They used a complex twenty-eight-point questionnaire to ascertain the extent and causes of rural poverty, concluding that the state rent imposed on landlords was not excessive in itself but that in order to pay it landlords had to usurp wealth created by tenant farmers.⁹⁸ In Britain, Naoroji's solution was to ask the state to regulate the contract better between landlord and tenant. However, Naoroji's liberal antipathy to state management meant that land nationalization was not an option but he did advocate the confiscation of all rents in the form of a national land tax. As a member of the Land Restoration League, supported by Henry George, Dadabhai's avowed aim was 'the abolition of landlordism' via 'the abolition of all taxes upon labour and the products of labour; and the increase of taxation upon land values until the whole annual value of land is taken in taxation for public purposes'.⁹⁹ The previously unproductive surplus of rent could be appropriated by the state to encourage useful forms of 'character'-building consumption for the whole community of producers. For instance, Naoroji supported subsidizing museums and galleries so that they could open free of charge to the industrial classes on Sundays.¹⁰⁰ In the cities, Dadabhai advocated for leaseholder enfranchisement or the abolition of short leases since 'the tenant to do his work with all his might and heart, which will be to the benefit of the whole community in the larger production of wealth...must not be allowed to be exploited by the landlord whoever he may be'.¹⁰¹

If increasing self-government in India, starting with the middle classes, would automatically ameliorate the contract between Britain (the rent-seeking capitalist) and India (the productive labourer), so too in the metropole Naoroji believed that the better representation of labour would justly realign capitalism. The 1867 and 1884 Reform Acts had widened the franchise to the majority of working-class males in the boroughs and the countryside. Yet these newly won political liberties did not translate into the labourer being adequately rewarded for his production by a commensurate rise in his consumptive capacity. This was partly a result of the inadequacy of labour organization and its under-representation in parliament.¹⁰² This had to be remedied, for if material accumulation was the fundamental prerequisite for the actualization of the political subject, and all value creation the act of labour on natural resources, then was not, Naoroji asked, 'every political question a labour question?'¹⁰³

⁹⁸ Bayly, *Recovering liberties*, p. 195; Bombay association, fifth annual general meeting, 1873, p. 22; *Native Opinion*, 19 Jan. 1873, p. 44; *Native Opinion*, 16 Feb. 1873, pp. 97–8; third report from the select committee on East India finance, together with the proceedings of the committee, minutes of evidence and appendix, 28 July 1873, IOR/L/PARL/2/210, India Office Records, British Library, London, p. 507.

⁹⁹ Verinder to Naoroji, 18 May 1889, E-54 (1), 31 Jan. 1890, E-54 (2), DNP.

¹⁰⁰ Henry Mills, the national Sunday league to Dadabhai Naoroji, 14 Dec. 1888, N-63, 26 Sept. 1903, N-63 (18), DNP.

¹⁰¹ Naoroji to unknown, 6 Mar. 1891, N-1 (1760), DNP.

¹⁰² 'Labour and the democratic vote', Notes and jottings, political, group 7, fo. 36, DNP.

¹⁰³ 'Labour questions', Notes and jottings, social, group 9, fo. 20, DNP.

In the absence of universal suffrage in Britain, labour was incapable of institutionalizing its interests politically. In Naoroji's understanding of political economy, in which labour is the key factor of production, this was a national problem since it robbed the working classes from reproducing themselves as citizens. As a potential solution to this impasse, Dadabhai mooted the idea of industrial courts to adjudicate for a fair wage bargain, claiming that it was necessary to institutionalize a means to vouchsafe the material rights of labour.¹⁰⁴ Not only was the wage bargain a 'forced contract' preying on the workers' indigence but the worker would never see the wealth he had created return to the community of producers. Naoroji observed how copyright and patent law protected mental labour by creating a monopoly on intellectual innovation for a limited time only before making it available for the benefit of the whole community; whereas, in the case of wage labour, the capitalist absconded with the wealth indefinitely. True, the labourer could strike to achieve a fairer wage but this halted production, diminished the national product, and undermined production and consumption in the long run. Was it not the duty of the democratic state, as representing the whole community, to protect 'sacred labour-property' by devising a means to arbitrate between capital and labour and distribute wealth more equitably? Industrial courts might elect an equal number of court assessors from capital and labour, who would go into the costs of production and calculate a fair wage based on labour-hours, rather than a spurious market wage based on compulsion. One cannot escape the conclusion Dadabhai Naoroji's ideal of British imperial citizenship could find utterance only in the rights of reproductive labour. This alone could create a civil society purged of class interest that was a model of fair exchange and 'an unalloyed benefit to the whole nation'.¹⁰⁵

V

Dadabhai Naoroji's political career calls into question a narrative of globalized liberalism in which subaltern thinkers 'fulfilled' the universal promises of a 'truncated' European ideology.¹⁰⁶ On the contrary, Indian thinkers were conceptual innovators in their own right. The immediate and pressing local issues affecting discrete communities, or wider issues like famine, meant that thinker-politicians dynamically reworked liberalism in practice with the intention of bringing about rapid social transformation. Conceived in the urgency of the Indian context, these ideas were then exported to the heart of empire – London. Here, they seeded British liberalism with novel political perspectives and a comparatively radical agenda. In the case of economic anti-imperialism,

¹⁰⁴ N, 'The rights of labour', *Westminster Review*, 134, 1 (1890), pp. 95–103; Naoroji revealed as the author in the *Manchester Guardian*, 30 Sept. 1890, p. 9.

¹⁰⁵ N, 'The rights of labour', pp. 96–9, 103.

¹⁰⁶ Samuel Moyn, 'On the nonglobalization of ideas', in Samuel Moyn and Andrew Sartori, eds., *Global intellectual history* (New York, NY, 2013), p. 193.

the radicalism imported from India both chronologically preceded and analytically exceeded the Hobsonian version that has been given pride of place in the British canon.

The local issue for Naoroji was, in its simplest terms, one of imperial citizenship. The dysfunctional institutional governance of his Parsi community resulted in the abstraction of the modern self-governing citizen being touted as the practical solution to Parsi woes. Bombay's economic crisis rendered publicly funded attempts to inculcate the good 'character' of the citizen through social education redundant and highlighted the frailties of the imperial economy. As Naoroji's faith in the soundness of colonial commerce, and its ability to create market-agents/citizens destabilized, so too did the previously rigid concepts of political economy. Dadabhai recast and reordered these concepts, resulting in the generative capacity of labour being identified as foundational to the production of self-regulating citizens – the ideal political subjects of liberalism.

It was this reordering of political economy that placed the act of labour at the heart of Naoroji's idea of politics. The British worker's and the Indian peasant's lack of political subjectivity was placed within a single analytical framework. State structures, institutions, and monopolists were to blame for deficiencies in the working of free-market capitalism in all parts of the British empire. Armed with this paradigm, Dadabhai could intervene in both Indian and British politics on equal terms, bypassing and discrediting arguments about cultural difference. Yet, the fundamental political problem – of labour rights – was to be addressed differently in various parts of the empire. In Britain, the materialist foundation for citizenship was best promoted for the industrial working classes by vouchsafing their share of the national product through universal suffrage, the confiscation of rent, and industrial arbitration. India, however, was regarded as rusticated to an almost pre-industrial stage by its unequal economic relationship with Britain. Here, the monopolist and the colonial state were indistinguishable. Dadabhai responded by demanding the return of the Indian labourer's surplus to him in the form of reproductive investment instead of its transfer to Britain as unearned profit. The logical outcome of this principle was the demand for Indianization of the government, and, ultimately, self-rule. Indians and Britons could then trade together on equal terms, as reciprocal production and consumption stimulated the formation of citizens in both countries. No doubt Dadabhai had Macaulay's ideal of a global civil society of independent, equal, and freely contracting market agents in mind when he imagined the constituent parts of a reformed British empire becoming business 'partners' in a worldwide 'Imperial Firm'.¹⁰⁷

¹⁰⁷ Naoroji, 'At a meeting of the electors of the Holborn division', 27 June 1886, in Naoroji, *Essays, speeches, addresses*, p. 307.