

Indigenous and Colonial Origins of Comparative Economic Development:

The Case of Colonial India and Africa

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Abstract

This paper concerns the institutional origins of economic development, emphasizing the cases of nineteenth-century India and Africa. Colonial institutions—the law, western style property rights, newspapers and statistical analysis—played an important part in the emergence of Indian public and commercial life in the nineteenth and twentieth centuries. These institutions existed in the context of a state that was extractive and yet dependent on indigenous cooperation in many areas, especially in the case of the business class. In such conditions, Indian elites were critical in creating informal systems of peer-group education, enhancing aspiration

through the use of historicist and religious themes and in creating a “benign sociology” of India as a prelude to development. Indigenous ideologies and practices were as significant in this slow enhancement of Indian capabilities as transplanted colonial ones. Contemporary development specialists would do well to consider the merits of indigenous forms of association and public debate, religious movements and entrepreneurial classes. Over much of Asia and Africa, the most successful enhancement of people’s capabilities has come through the action of hybrid institutions of this type.

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Recently, the debate about comparative economic development has broadened out to take account of work in other major human sciences, particularly anthropology, sociology, philosophy and history. Development specialists have become increasingly aware of the need to understand the history and ideologies of the societies within which they work in order to encourage better reactions to their programs. In the first place, the engagement between development economists and anthropologists under the broad aegis of the World Bank and other international institutions has brought about significant widening of the range of the debate. Valuable case studies have resulted from the elaboration of Amartya Sen's notion of human capacities and capabilities in contemporary development (Sen, 1997). Such studies stress the importance of discussion, consensus, aspiration and 'peer educators' (e.g. Rao and Walton, 2004). One purpose of this paper is to begin to give this work a deeper historical context. The new approach that engages with the moral and intellectual as well as the purely economic origins of development seems most appropriate even for a colonial situation such as nineteenth-century India, which provides much of the material here. Capacities and capabilities often develop only in the very long term, and they can do so even in most unpropitious circumstances.

Secondly, recent discussions of the conditions for equitable economic development have benefited from the work of economic historians, authorities such as Douglas North (North, 1990), Stanley Engerman, Kenneth Sokoloff (Engerman and Sokoloff, 2000) and others. One recent and highly influential achievement has been the scholarship of Daron Acemoglu, Simon Johnson and James Robinson (hereafter AJR), especially their article on 'The colonial origins of comparative economic development' (Acemoglu et al., 2001a). This work has found an influential place in the *World Development Report 2006* (World Bank, 2006). AJR argue that there is a strong positive correlation between disease regimes, successful European settlement, the generation of 'good' institutions (accessible law, secure and general property rights, deliberative bodies, etc.) and contemporary wealth. They do this with sophisticated econometric models. In particular, they use settler mortality in the long term as an exogenous control on their data. But they also test for other variables such as the form of different national

colonial projects and the role of religion in economic aspiration as suggested by the theses of Max Weber. In a complementary article, 'Reversal of fortune' (AJR, 2001b), they nuance this approach, arguing less from an ecological perspective than from a demographic one. The areas that were richest circa 1500 (e.g., the Mughal Empire, China, the Aztec Empire) attracted extractive styles of European colonialism and semi-colonialism and have consequently become relatively poor over the last half millennium. Those relatively under-populated and impoverished territories in 1500 (e.g., Australia, New Zealand, the areas which became the USA or Argentina) required a much greater input of European capital and labor, and thereby developed 'good' institutions. Even where colonial metropolises attempted to control and exploit such 'new Europes', the sheer dynamism of the settler societies burst through these colonial bonds, creating more equitable institutions.

For social historians this work represents a revelation and a challenge. It is a revelation because it represents a way of rigorously testing the very broad claims made for and against the developmental effects of 'empire' and 'colonialism' in contemporary historiography and public polemic. I refer here to a spectrum of writers from Emmanuel Wallerstein, Andre Gunder Frank and William Easterly to Bill Warren and Niall Ferguson. But AJR also offer a challenge to the sort of bottom-up, archive-based, contextualized, regional and local investigations that are the staples of most historians. This is because the nature and genesis of 'good' institutions is inferred from a wide range of secondary literature and statistical correlations, rather than being tested against contemporary evidence, as social historians tend to do. Broadly, too, AJR's major articles might seem to privilege 'good' institutions of a Northwestern European variety and this runs counter to the cultural relativism which influences most historians of the extra-European world today. While AJR attribute the 'reversal of fortune' of other societies to the form of European colonialism rather than to intrinsic civilizational inadequacy, the invocation of 'good', colonial institutions has an uncomfortable feel about it for some. It might seem to revive the language of nineteenth-century classical political economy pervading the work of writers such as John Stuart Mill and John Elliot Cairnes. It could be taken to imply that development agencies must find ways of implanting these

institutions in societies that the Victorians would have considered backward, but are said now to have suffered a 'reversal of fortune.' This is not AJR's intention, but the problem of language points up the need to examine the issue of indigenous and hybrid capabilities in the history of development, which is the theme of the present article.

Much of the weight of AJRs' analysis falls on the Americas and Australasia, as far as the benign aspect of colonial institutions is concerned, and on Sub-Saharan Africa in respect of their extractive and parasitical dimension. Yet at least 80 percent of the global population has always lived in societies stretched across Asia and North Africa where European settlers were unable to exterminate the indigenous population or seize resources as in Australasia or America, because these societies had already developed sophisticated states and economies. What was the role of these non-European state forms and economic institutions in comparative economic development? In the middle of AJRs' spectrum that runs from rich societies with 'good' institutions to poor societies with 'bad' institutions, there lies a large group of heterogeneous examples. These range from Japan and wealthy Chinese coastal societies, where Europeans neither settled nor even established long-lived extractive colonial institutions, to poor parts of the Ottoman Empire or north Africa which failed to benefit from global economic expansion in the early modern period, but were only colonized towards 1900.

Again, even within what became extractive imperial dependencies and poor postcolonial states, there have been huge variations between different regions. Dutch ruled Java may have suffered 'agricultural involution,' but the Chinese port cities from Penang and Singapore to the Sulu Sea registered rapid economic growth in the nineteenth century. Likewise, the Punjab and the princely state of Mysore in the British Indian Empire were much richer than the province of Bihar. Many of these cases may well be amenable to AJRs' style of analysis, but only if indigenous capabilities as well as 'colonial institutions' are taken into account. Finally, it is important to examine historical processes as well as outcomes. Historians and development specialists need to understand the actual mechanisms by which apparently benign European institutions were

transformed and appropriated- or, for that matter rejected- by people of non-European societies in the light of their own persisting social organization and aspirations.

The broad picture

Taken as a whole the meta-narrative of AJRs' work remains the 'rise of the West', particularly the North European and North American West. Initially, then, it may help to pose a broad revision, though not rejection, of this meta-narrative. The position adopted by this paper is as follows. While it is difficult to diminish the critical importance of the rise of the West as some historians have done recently, this needs to be put into the context of dynamic changes in other world societies, which continued even during the nineteenth-century 'age of imperialism.' These indigenous, hybrid or heterogeneous institutions have played a major part in the relative success of economic development for the bulk of humanity in the middle of the AJR spectrum.

First, 'archaic' and 'early modern' globalization from c. 1400-1800 AD saw interconnected ideological, social and economic development in all major world societies (Bayly, 2004). This produced new state forms, new systems of knowledge and the acceleration of what Jan de Vries calls 'industrious revolutions' in many parts of the globe, not just in Europe (de Vries, 1994). Industrious revolutions preceded and did not necessarily lead seamlessly to industrial ones. They were revolutions of imagination, taste and consumption that led to the re-organization of family labor and demand to accommodate new desires for consumption. One local example of such growth was the status-driven demand for fine samurai swords and daggers that gave rise to a flourishing metallurgical industry in Tokugawa Japan (1600-1850). This expertise in metal, which greatly predated European industrialization, played a part in Japan's later industrial development. Before 1800, a sense of nationality had also emerged in several parts of the world and not only in Western Europe. Japan, northern Vietnam and some Indian regions are cases in point. This both proceeded from and in turn facilitated the integration of regional markets. Factors such as these have all influenced the historical conditions for modern development, though in different ways and at different periods. World-level

development has always been *multi-centered and interactive* even at the high point of western colonialism. The period of Euro-American dominance has been, in historical terms, relatively short.

Secondly, parts of North Western Europe did, however, gain a great comparative advantage from at least the beginning of the eighteenth century, and in some fields rather later (Pomeranz, 2000). This advantage arose from high productivity and high yields per acre in agriculture; innovation in large-scale amphibious warfare in and outside European waters and the control structures that arose around them; a vigorous culture of sociability and criticism in the public sphere that tended to refine the activities of the state and corporate mercantile bodies. Industrialization was not generally critical until c.1820, after Europe's comparative advantage was well established. But it did reinforce that advantage.

Thirdly, these comparative advantages were not evanescent, but neither were they permanent. Before the end of the nineteenth century, non-European peoples had begun to appropriate and adapt European methods and institutions to their own forms of sociality in order to improve their quality of life and challenge the extractive colonial state. This indigenous development was materially enhanced by the need for European and colonial states to off lay legal, economic, military, educational and, eventually, political authority to indigenes in order to economize on manpower, blood and treasure.

So the debate about the role of institutions in the modern development might consequently benefit from a historical investigation of how, when and why indigenous people appropriated, adapted, absorbed and often totally reconstituted European-style institutions in the light of their own mental and material capacities. This article, therefore, posits a hypothesis of the hybrid, even heterogeneous origins of comparative economic development, as opposed to their 'colonial origins'. The paper goes on to consider the case of India and then Africa in the nineteenth century in some detail. It seeks to specify the nature of the institutions that seem to have contributed to relatively successful and equitable economic development.

Building social capabilities: the origins of 'aspiration' in India

Despite the Bhartiya Janata Party, the former right wing government's, recent electoral propaganda about 'India shining' and comparisons with China, India's GDP remains modest, about the same level as Russia's and considerably less than China's (though the latter is probably overestimated). Yet India's growth rate has speeded up dramatically over the last few decades. Some now argue that India's 'knowledge economy', and remarkably robust democratic institutions, will give it greater flexibility than China in the longer run."

The core of the paper argues that some of the socio-economic capacities of India's people that help to explain the present cautious optimism were in the process of development during the mid-nineteenth century. This was a period when, in the terms used by AJR, British India remained an 'extractive state', while at the same time some of the benign institutions of settler colonialism to which they point were appropriated and deployed in processes of 'improvement' by indigenous commercial and intellectual elites. These elites melded western education and legal techniques with Indian patterns of behavior and thought which can be traced back to the political and economic forms of the late-Mughal Indian and Indian Ocean world.

On the face of it, nineteenth-century India, and particularly Bengal, which provides much of the information for this argument, represents a case of deep economic dependency. The early nineteenth century saw a deindustrialization of the artisan cultures of the major centers. The mid- and second half of the century witnessed continuous and lethal famines occurring throughout the country along with waves of agrarian unrest, even if railways and the steamship brought about some economic growth in the port cities and their hinterland (Kumar (ed.), 1980; Hall-Mathews, 2005). The economic nationalist Dadabhai Naoroji's work *Poverty and Un-British Rule in India* (Naoroji, 1903) mounted a systematic indictment of government over-taxation and economic and social neglect. Yet material in Naoroji's works and speeches also demonstrate the emergence of new capabilities in Indian society. These included the sustaining of vigorous and outward looking entrepreneurship, a remarkable flowering of Indian associations, the development of a vigorous free press, even within the constraints of colonial censorship and the beginnings of attempts to enhance the capabilities, in Amartya Sen's formulation, of the peasantry, urban working classes and women.

The colonial state, labor and elites

For social historians it is important to understand the moral, mental and associational culture of elites in the roots of India's nineteenth century 'improvement', or development as it would now be termed. But it is first necessary briefly to discuss three contexts for the argument. First, what was the nature of the nineteenth-century, 'extractive state' in India? How far were there any truly 'colonial origins' of Indian development even in this case? There is a vast literature on the topic, but economic historians have done little more than fight for a century or more over what numbers to affix to the basic conditions outlined by Dadabhai Naoroji. The British rulers did develop India, but only to a limited extent, and largely in their own interests. India was broadly spared from internecine warfare that plagued contemporary China and Africa and was unified by British fiscal and administrative measure (Goswami, 2004). Markets were integrated by the railway, telegraph and steamship, widening merchant horizons. Legal provisions gave stability to upper landed and commercial elites. On the other hand, the revenue 'take' from an unprotected peasantry was higher than it had been under indigenous post-Mughal regimes. Much of India's surplus was drained off to Britain in railway interest, civil servants salaries, etc. The colonial rulers wasted money on expensive frontier wars. Indian artisan industry was decimated by imported manufactured goods and India's nascent modern industry received little serious tariff protection in the era of free trade. Indian leaders, therefore rapidly adopted Friedrich Lists's model of a 'national political economy.'

This is well known. More interesting is the debate about the impact of the colonial state on ideology and class formation. The colonial state was indeed extractive, but it was not hegemonic (Guha, 1997) in that it did not wholly dominate the mentalities and ideologies even of India's elite. Neither, however, was it 'dominant' across the whole of Indian society. The state was very weak at its fringes and widely reliant on Indian agency everywhere. It was often split into competing agencies. This had two consequences. First, it left great room for maneuver to Indian corporate bodies, kin groups of landlords, self-

styled caste associations and other status groups that had emerged during an earlier period of post-Mughal de-centralization. The picture in India during the transition to colonialism is in some degree similar to that outlined by Greif (Greif 2006, p. 383) for the European later Middle Ages. This certainly helped Indians to build capacity. The colonial state was forced by its relative weakness to introduce limited public education, especially higher education. It conceded a limited degree of local self-government to Indians by stages in a move that distantly mirrored the contemporary creation of a democratic franchise in Britain.

On the other hand, the hypothesis in Greif that a relatively weak state was one condition that allowed the development of the modern economy from its medieval antecedents cannot be too widely applied. Vigorous state action by the Meiji government against elites and even heavy regressive taxation of Japan's peasantry allowed the state to build up a development fund for investment on infrastructure and new industries (Jansen (ed) 1989; Jansen, 2000). This option was not available to the contemporary Qing Government in China or the British Indian government. The latter, paradoxically in view of its extractive status, appears to have been a poor government in a poor society, progressively less willing to encroach on the funds and authority of powerful rural elites.

A second framing issue concerns labor supply during the beginnings of modern economic development. Equity and the building of human capacity may, in fact, stand in opposition to the need for modernizing economies to find a cheap and easily controlled labor supplies. Japanese family structures and pressure on the peasantry drove workers into the factories of the Meiji period, just as the decline of artisan textile production had driven British workers into machine-industry one hundred years before. Contemporary China and India also both seem to have flourished economically, while the conditions of life for some sections of the peasantry have deteriorated. Riots and opposition to state expropriation in China has been matched recently by mass suicide among farmers in India. In the nineteenth century, the colonial state in India ensured as far as possible the existence of a quiescent peasant economy to fulfill its revenue needs, while at the same time creating an enclaved labor force in areas such as Chhota Nagpur, Assam and the

Bombay Konkan to serve special interests such as the tea estates and early factories. The hierarchical and segmented nature of Indian society may, paradoxically, have aided the creation of a labor force and this limited colonial-era industrialization (Chandavarkar, 1994). In these cases, the effort to industrialize and raise the living standards of the elite tended to militate against equity in the distribution of income and other social goods. Only ameliorative action by the state and altruistic capacity building among the poor by elite action could alleviate these conditions.

This comparison becomes sharper if one considers the African case, where labor was historically freer. African historians have argued that the 'exit option' of African farmers (Hyden, 1980), their ability to migrate to areas where their labor could find better rewards, was largely determined by the extreme physical conditions in which many of them worked. The state was once again weak or non-existent and it is argued that many African societies remained relatively un-stratified by comparison with those of Europe and Asia. The broad disadvantage for Africa's historical development appears to be that the emerging state and later agrarian and urban industry has found it difficult to secure a reliable tied labor force. Equity and economic development have often, therefore, stood in contradiction to each other and here the state must intervene as an equalizing and protective force in a manner that it rarely did during the colonial period.

Much of the remainder of the paper concerns capacity building among the nineteenth-century elites of colonial India. This is partly because the historical data are much fuller for educated professional and commercial people than for the poor. But a more important reason is that elites have always been critical to development and the creation of new capabilities, though this fact has sometimes been lost sight of with the recent emphasis on the 'subaltern', the disempowered under-classes. The capacity of indigenous elites to adapt to new forms of the state, master new forms of literacy and communication and pass on these skills to the wider population was critical both in raising income levels in the long-term and in expanding health and education. Nineteenth century Indian elites provide a case in point. It may well be that at times, and especially during the early nineteenth-century, the consolidation of the new Indian elite actually

encompassed the collapse of earlier systems of social provision, as it did in industrializing Europe. My concern here, however, is with the medium and long-term building of capacity and the role of specifically Indian endowments in this process. However inequitable India's growth may have been over the last two hundred years, it would have been even more so without their capabilities.

Sustaining entrepreneurship

The pre-existence and survival of an indigenous commercial class even during the period of Euro-American imperialism was one of the conditions discussed by the modernization theorists of the 1960s and 1970s. It remains critically relevant to the issue of comparative economic development. Particular reference was made to the *zaibatsu* of Tokugawa era Japan and the manner in which government policy compelled many of the former samurai class into entrepreneurial activity (Smith, 1969, 1988). This provided one set of arguments for the origins of Japan's nineteenth century 'escape from economic dependency.' Discussion of entrepreneurship has been much less full in work on the origins of development since the 1970s (Adelman in Stiglitz and Meier, 2000). Leftist and liberal hostility to 'exploiting classes' has apparently left its mark even on later development theories and businessmen do not necessarily fit well with the concept of benign institutions.

Yet indigenous entrepreneurs were vital to development. In India, the entrepreneurial class had clear indigenous origins, not only in the ancient status categories of *vaishya*, but more recently in the cash-based revenue system of the Mughal and post Mughal rulers, which was predominantly serviced by Hindu and Jain mercantile families (Bayly, 1983). Many other social groups, including members of former intelligentsia families, have contributed to India's recent economic advance. However, the continuities between the late-Mughal trading and money-lending class and India's present business elite are quite remarkable. Most of the industrial and financial leaders who established the first Indian planning regime in the last stages of the Second World War were from this background and their descendents remain critical in today's Indian

‘take-off’. To take only two examples, the Birla group, which remains one of India’s industrial conglomerates (Malik Kudaisya, 2003) and Lakshmi Narayan Mittal, the world’s largest steel producer, both come from the Marwari community, which provided many of the traders and moneylenders of pre-colonial central and north India (Timberg, 1978). Throughout the colonial period, India’s *mahajans* (bankers) and *baniyas* (commodity traders) retained control of the bulk of India’s internal trade, even if some of the most lucrative import-export trades were dominated by European agency houses. This is one of the clearest examples of the indigenous origins of comparative economic development. The situation stands in contrast to Africa, where European and (significantly) Indian or Lebanese traders controlled the bulk of internal trade or even the Ottoman and Arab lands, where Armenians, Jews and Greeks were very powerful.

Why did large sections of the Indian business communities survive colonial rule, when others elsewhere in the world were unable to do so? One answer was that from the fourteenth century onward such families had developed sophisticated double-entry book keeping and credit note (*hundi*) systems. Their social organization and marriage patterns allowed them an all-India reach. They were able to move money and goods across the vast distances of inland India, up into Russia and Afghanistan and even across the Indian Ocean to the East African coast (eg. Markovits, 2000). As suggested, the decentralization of power during the late Mughal period and the dependence of the early British state on their expertise allowed them to flourish. Again, pre-colonial and early-colonial India benefited from a relatively well- developed network of urbanized places that could be used as bases and entrepots by the commercial communities. Even when many larger cities were in flux in the eighteenth century, I estimate that 10% of the population lived in places with populations of 5,000 or more and distinctly urban characteristics (Bayly, 1983).

Discussing redistributive conflicts which might impede development, Pranab Bardhan noted the efficiency of traditional Indian business, but was skeptical of the extent to which the colonial-era Indian business class could contribute to the evolution of ‘more complex (impersonal, open-legal rational) rules or institutions. (Bardhan in Meier

and Stiglitz, 2000, p. 272). He was writing at the end of the 1990s when pessimism about India's development prospects was still pervasive. Irma Adelman rightly, in my view, contested this position (Adelman, in Meier and Stiglitz, 2000, p.293). 'Merchant capital' could be, and often was converted into industrial capital, as in the case of western Indian city of Ahmedabad and Kanpur in north India (Gillion, 1968; Bayly, 1983).

The old Indian merchant class, disparaged successively by British rulers, Indian nationalists and modern economists, also played a significant if unconscious and interested role in the development of political and social capacities in nineteenth century India. For instance, it was mercantile families (though in this case from non-*vaishya* families) who pioneered education in early nineteenth century Bengal and Bombay. As an example of the contribution of a flourishing entrepreneurial class to wider empowerment, merchant people in several parts of India are known to have patronized and supported the newspaper editors and lawyers who became leaders of the early Indian national Congress and other public bodies (Bayly, 1975; Washbrook, 1976). In the twentieth century, the Birlas and other western Indian bankers funded M. K. Gandhi, who was himself of commercial caste origin, despite his persisting ambivalence to modern industrial society (Markovits, 1990). In development terms one might draw the inference it is important to locate and enlist the support of commercial groups.

Agrarian hierarchy and economic capacity

In examining the history of comparative development in the great Eurasian and North African peasant societies, the role of the peasant farmer as entrepreneur and food provider is clearly critical. Without a robust peasant-farming sector the fate of colonized and semi-colonized societies in the early modern and modern periods might have been even worse than it actually was. Consequently, the possibilities for late-colonial and post-colonial economic development would have been even more sharply curtailed. William G Skinner, for instance, pointed in the 1970s to the continuing buoyancy of rural-marketing systems in communist China (Skinner, 1977). Even if some peasant communities have suffered relatively during the contemporary expansion of the Chinese economy, it is clear

that indigenous forms of the peasant family farm have sustained growth in favored parts of the rural economy such as the coastal provinces. Equally, the robust farming traditions of dry inland areas such as Shanzi have preserved them from even greater decline during periods of drought and war. In Meiji Japan, by contrast, the flexibility of peasant inheritance systems appears to have guaranteed a flood of rural labor into the developing towns while sustaining the heavy, regressive taxation that made possible the first 'Japanese miracle' of the 1880s and 1890s.

The preservation of existing agrarian capabilities and the creation of new ones in colonial India evidently helps explain some aspects of the relative development of different regions of the Indian economy over the last two centuries. Many commentators noted that the system of peasant proprietorship that prevailed over much of the Punjab provided a more solid basis for agrarian development than the *zamindari* system of Bengal where proprietary powers were invested by the British in a class of rack-renting landlords as early as 1793 in the so-called Permanent Settlement. AJR allude to the restrictive nature of occupancy rights in Bengal. Early Indian economic thinkers such as Romesh Chunder Dutt pressed for a 'permanent settlement' between the tenant and the zamindar, which they thought would leave an investment premium for the cultivator (Dutt, 1980). Even within different regions, tenurial systems-or rather farmers' exploitation of tenurial systems-seem to account for differences in prosperity. Thus in United Provinces and Oudh (today's Uttar Pradesh), the relative dynamism of the west compared with the east of the province was attributed to the greater prevalence of peasant ownership in the west (Stokes, 1978). Even in Bengal itself, the eastern deltaic areas that were not incorporated into the zamindari system, enjoyed much greater and more equitable growth than the west of the province, at least until the late nineteenth century (Iqbal, 2004).

Now it is true that colonial policy-the desire to extract revenue for fiscal-military purposes-determined the nature of tenurial patterns across India to a considerable degree. Yet colonial policy itself was working within a much wider field of social forces. Immediate pre-colonial tenurial systems determined to an equal extent as colonial policy

the actual form of proprietorship under British rule. It was the triumph of the pre-colonial Sikh movement amongst the predominantly Jat peasant farmers of northern India which gave rise to the particular type of intensive and balanced cultivation that allowed Punjab to grow in the nineteenth and twentieth centuries while much of Bengal and Bihar remained economically stagnant. Again, in the case of the Punjab or Gujarat, the broad status group called Pattidar, formed an equally buoyant peasant society that later diversified into commerce and the professions in both India and East Africa (Charlesworth, 1985; Hardiman, 1981). Here again it was Indian actors who made use of these tenurial advantages. Peasant farmers in the Punjab sent their sons into the British Indian Army, where they learnt transport skills and brought home development money and land grants. Religious and social movements such as the Arya Samaj in the Punjab or the 'monotheistic' Satya Narayani movement in Gujarat enhanced local capabilities through education, political mobilization and social provision during crises. In the post-colonial period, the Punjab has been the model for the more prosperous parts of the agrarian economy in both India and Pakistan. Here again, it is essential to acknowledge the hybrid nature of comparative economic development and analyze the actual social processes by which some colonial policies and practices were converted into benign institutions by Asian and Africans or Latin American people.

Colonial law, 'benign sociology' and peer-education

In the AJR model the expansion of rights of property and freedom from expropriation are rightly regarded as key aspects of benign development. A historian would need to ask whose rights and whose freedom? In Asia, as in parts of Africa, colonial legal systems certainly conferred rights and economic stability on some of the people some of the time. The division of responsibility between the executive and judicial, at least in the higher reaches of government, also created breaches in bureaucratic government through which indigenous legal experts and their colonial sympathizers could penetrate. Yet in a dependent as opposed to a settler colonial society, law was often an engine of dominance. Legislators and judges were largely white. In many colonial situations there was no

division of powers so that magistrates and judges were the same people. Justice was expensive and litigation became a vice rather than a virtue.

Indian liberals needed also to try to purge the workings of colonial law, to train Indian *munsiffs* or ‘under judges’ and to disseminate good information about the legal process to middle-class townsmen and peasants who might be tempted into its orbit. The premium here was on local information. The legal system itself was a purely neutral machine. It might corrupt or it might lead to ‘improvement’ -development in contemporary speech. Indians, however, were already attuned to the notion of ‘rights’ and late Mughal lawgivers emphasized the rights of the peasant against those of the local magnates, who were often conceived as impediments to royal justice. The notion of representation to an equal or superior (*vakalat*) could equally be adapted to the British legal system. The critical point of change was the development of a class of ‘peer educators’ (Rao and Walton, 2005, p.9). This is an example from the memoir of a liberal reformer who grew up in the 1840s. Babu Sambhu Nath Pandit, then a mere legal clerk, but later government pleader, settled sometime in the 1840s in Bhowanipore a village outside Calcutta where he rented a small, dingy room. He decided to set up a legal club to help the students of the locality. The account goes on ‘[b]rilliant were the legal discussions that were nightly held in that little room. A stranger entering it could have believed that he had alighted on a sort of Bengalee Temple Bar [the London law courts]’. Students stood as prosecutors and defendants. They dissected government regulations to find the principles behind them (Ghose, 1912, p. 102).

Not all the boys trained in this way went on to study for the Bar. Two at least retained the petty government office which they had secured because this allowed them more free time for their journalistic writing. Indeed the whole of educated society in Bengal and beyond was saturated with legal notions of judicial contestation and property rights. Much of this expertise was deployed simply to make a living. Most reformers, public men, and later nationalist politicians were, however, lawyers, so that some of the expertise was employed to critique the colonial government and fight cases on behalf of poor farmers oppressed by landlords or moneylenders. Litigation spread rapidly in India

after the 1840s, drawing in small shopkeepers and more substantial peasants. Some aspects of this, such as extreme litigiousness, were malignant. Yet awareness of rights became a feature of all levels of Indian society and contributed to the rapid development of India's wider critical public sphere discussed below.

Along with awareness of rights Indians in the mid-nineteenth century began to develop what I term a 'benign sociology', that is an understanding of their own society in a wide geographical sweep which adapted colonial ethnographic and statistical models to empower rather than the subjugation of its people. The colonial state may have attempted to categorize and count its Indian subjects, but it was soon faced with Indian intelligentsia who collated statistics on the colonial state's failings, argued against the view that Indian society was immobilized by caste and religion and created for it a glorious civilizational past which would presage a free and enlightened future. A variety of Indian travelers and 'auto-ethnographers' helped achieve this aim even before the 1870s, notably Dadhabhai Naoroji, R. C. Dutt, Keshub Chunder Sen and Bholanauth Chunder (Chunder, 1869). They stressed India's traditions of charity, its veneration for family and marriage and its aesthetic and moral sensibility, all of which were compared favorably with the West. Similar movements to reclaim a sense of self-respect through reversing colonial stereotypes were seen in other colonized countries. In Egypt this was achieved by Salama Musa (Musa, 1961). In Africa, Jomo Kenyatta's *Facing Mount Kenya* (Kenyatta, 1938) created a benign view of Kikuyu society. This amounted to a kind of developmental morale-raising and its importance in stimulating Indian nationalism, internationalism and aspirations to improve material life cannot be understated. For development to occur people need to have the belief that they can succeed and that their own societies are essentially benign. Many colonial and some post-colonial agencies supposedly devoted to improvement have helped to erode rather than raise morale by marginalizing indigenous public sphere institutions. The activities of international aid agencies after the recent Asian Tsunami are only the most recent example of this.

The Indian ecumene: an indigenous public sphere

Even when, during the period 1960-90, most economists and politicians dwelt on India's poverty rather than its entrepreneurial and legal-rational capacities, almost all lauded the extraordinary resilience of India's democratic traditions and culture of public debate. Arguably, this openness has been a critical determinant of the success of contemporary India's 'knowledge economy' that gives the country an edge even over China, since poorer areas in Southeast Asia and eventually Africa will in turn challenge China's industrial predominance. The culture of openness and public debate also has significant advantages for the development of capital markets and services, since potential investors and clients have much easier access to information in India than in much of the rest of the developing world.

Amartya Sen has elegantly demonstrated that the 'argumentative Indian' has deep historical roots that possibly stretch back to ancient debates between Buddhists and Brahmins and the 'liberal' policies of the seventeenth century Emperor Akbar (Sen, 2005). This argument runs the risk of being too general. What is very clear, however, is that Indian society emerged from the later Mughal period with a well developed culture of debate and contestation which centered on the houses of Indo-Muslim law officers, the dwellings of learned pandits, debates in market places and an arsenal of forms of protest and representation to the authorities. I have called this 'the Indian ecumene' (Bayly 1995) and have suggested that it formed a variant of the critical public sphere theorized for Europe by Jurgen Habermas (Habermas, 1992). These forms of debate and contestation of the policies of rulers could and did provide some benefits to the wider political economy in that they were deployed against excessive taxation or the sequestration of property and goods by the Mughal-successor governments or by agents of the East India Company. These arenas of debate were sometimes paralleled at the local level by the old popular institutions of adjudication, the *panchayat* or *sabha*. These were single or multi-caste bodies that aided power-holders to decide property or criminal cases. There is evidence that this pre-colonial system continued to operate across large parts of India in the nineteenth century. But whether panchayats actually persisted or not, the fact that they once did so provided a powerful myth for the emerging Indian intelligentsia (Bayly, 2007).

I estimate literacy in the broadest sense at about 9% of the male population in the early nineteenth century. This is comparable with areas such as Poland or southern Italy at that time, but lower than in contemporary East and Southeast Asia where Buddhism helped impart basic education (Bayly, 1999, pp. 36-44). Even if literacy rates were relatively low by western European standards, India was a highly literacy aware society. This contributed to its potential for growth and modernization. From the late pre-colonial period, large armies of bazaar writers copied letters for literate and semi-literate people. Writers copied letters and early newspapers and read them out to people in bazaars or the more urbanized villages. Wandering teachers and purveyors of news brought information to ordinary people with extreme rapidity, as the British rulers noticed to their consternation. Small towns and villages were also the scene of debate and discussion. The newsletters and indigenous newspapers that circulated in these arenas often drew on the tradition of the Indo-Persian *akhbarat*, the newsletter that informed rulers and others of infractions of good government. Indian villages were neither isolated nor passive. Instead, in addition to caste and village assemblies, there were, as a newspaper said, the ‘gatherings under the shady banyan tree where village politics was discussed, and the women’s meetings by the river bank where reputations were made and unmade.’ (*Indian People*, 10 Jan.1909). This sort of cultural practice helps to explain the vigor of Indian democracy in recent times and also the speed with which information about improvements and new sources of income have reached the masses of the population. Even if state policies to bring education, clear water and medicine to villages were largely non-existent before Independence, and flawed after it came, the capacity to aspire for change was present in very strong measure and has been rapidly exploited in recent years.

Information and association in the colonial period

Writing of the contemporary poor in Bombay, Appadurai (in Rao and Walton 2004) argues that the ‘capacity to aspire’, to build consensus from the inside and set precedents for projects of human flourishing are essential components of social and economic development. These endogenous factors are as important if not more important than

exogenous ones, such as government aid, cooperative credit and proper price regimes, etc. This argument also finds support in nineteenth century India, when it was indigenous elites who built the beginnings of democracy inside the citadel of colonial bureaucratic power. The critical element here was a semi-free press and press freedom remains an important component of development in the wider sense. The press not only created knowledge communities but, by raising awareness and concern for national welfare became a generator of 'symbolic public goods' (Rao, 2006). Of all Britain's non-settler dependencies, it was first in India that a flourishing modern press developed. The first Indian daily paper was the *Calcutta Journal* established in 1819 by British radicals and Indians who attacked the corruption and monopoly of the East India Company, lending an air of critique, sarcasm and controversy to the Indian press that it has never lost.

The development of the Indian press owed much to the growth of British democracy, pointing indeed to 'the colonial origins of comparative development' in AJRs' terms. At the same time, the key factor was the transformation by Indians themselves of the notion of a critical public. Self-empowerment by 'peer-educators' was again important. For instance, the first generation of English-knowing boys in the Calcutta Hindoo College began their own in-house journal in the 1840s. They created 'a system of manuscript newspapers...these contained essays and dissertations on literary subjects and other important issues of the day' which were circulated among friends and relations (Ghose, 1911, p. 34). Later, when they worked on government offices, they were allowed to read and copy incoming telegrams. They assembled this information in Bengali and English newspapers which were often harshly critical of the government from which they derived the information.

As important as journals and books was the culture of association and debate. This had colonial origins in the societies established by officials and missionaries in Indian schools and colleges to carry through the colonialists' project of westernizing the Indian elites. Yet here again, Indians appropriated these societies to 'argue back' against the British rulers, using their own battery of indigenous rhetorical and, soon critical statistical methods. A Calcutta Sociological Society was established as early as 1862, not

long after the science had emerged in Britain and France. Indian associations pioneered statistical survey methods to expose peasant poverty.

Religion, nationalism and social aspiration

By the later nineteenth-century as Carey Watt (Watt, 2005) has shown, India possessed an extraordinarily sophisticated range of civil society bodies, dedicated to the generation and diffusion of information, public education, national independence and social reform. One feature of these associations that should be mentioned here is the importance of religious organization in the generation of social capabilities. This has been noted in modern development literature. For much of the nineteenth and twentieth centuries the major ‘development work’ done in India – outside the reluctant and under-funded operations of the colonial state – was carried out by bodies representing new ‘religions of mankind’, Hindu, Christian, Muslim, Parsi and others. Neo-Hinduism was essentially ‘this-worldly’ in Weberian terms, though ironically Weber’s misunderstanding of India and later economic historians’ misunderstanding of Weber have occluded this point. These religious movements included the Arya Samaj (Aryan society) that worked on behalf of peasant communities (Datta, 1999) and established itself among the Indian plantation workers in Mauritius and the West Indies, attempting to educate them and improve their working conditions. Even earlier the Brahmo Samaj (Divine Society) seeking to rid Hinduism of what it saw as polytheism established schools for the poor and initiated campaigns to improve the lot of secluded Indian women and widows. At a rough calculation, various religious societies employed up to a 100,000 full-time or part-time employees by the end of the nineteenth century. Even moderate nationalist movements such as the Servants of India Society drew on traditions of this worldly religion, in that they drew on earlier ideas of sacred service (*seva*) and transformed them into a practice of public service. These volunteers, with their larger number of aids and helpers, were active in educational and charitable activities across the country.

Contesting colonial government

The consensus that has emerged from recent applications of historical data to the experience of development has stressed the importance of building capabilities and strengthening aspiration. This article has used the experience of the intelligentsia of British India to further illustrate this point. AJR, however, use British and comparative history to make a further point. The growth of equality and empowering institutions has often arisen from a situation where elites, fearing social disorder, made concessions to the mass of the people. This was the case with the domestic British constitutional reform after 1867. A balance between active, centralized government and the ability of popular interests to mould government policy has proved positive for economic development. Other examples of change of this sort can be found in Meiji Japan, where the new elites gave displaced members of the samurai class and merchant groups an incentive to make the new state and economy work by the distribution of bonds.

In a colonial situation such as British India, government proved very unwilling to surrender power vested in the predominantly European bureaucracy. But, under financial and political pressure, it did give up some of its powers in a series of constitutional changes that began with the 1883 municipalities act and broadened out in 1892, 1909, 1919 and 1935. By 1935 a small franchise existed and Indian political parties constituted government in the provinces, albeit still dependent on the British Indian Civil Service. Historians disagree about the ultimate importance of these moves towards the decentralization of power. It seems clear, however, that India's democratic institutions did, to some extent, develop within and in response to these local electorates. If only in order to challenge colonial rule, Indian liberals and nationalists extended their organization into small towns and rural localities. They enlisted more substantial farmers and rural entrepreneurs to their cause. It was, however, indigenous forms of social connection generated by caste, religious community, bonds of patronage, and ultimately nationalist aspirations themselves, that made it possible for Indian public men to create their own style of democratic institution.

This paper has been arguing that historical evidence would help us to refine and develop AJR's term 'colonial origins' of comparative development and that pre-colonial

and indigenous societal ‘capabilities’ in Sen’s sense need to be brought into the equation. A critical issue is how these capabilities and aspirations were enhanced during the colonial period, both by peer education and contests with the power of the colonial bureaucracy.

A case study: the Prayag Sugar Company, 1910

One final example of capacity formation in colonial India brings all these elements together- the entrepreneurial, the legal and indigenous religion. This was the case of the Prayag Sugar Company established in Allahabad, United Provinces, India, in 1910 (*Leader*, 23 Jan. 1910) Under the influence of the increasingly radical *swadeshi* (home industry) movement, Indian constitutionalist leaders fronted by Motilal Nehru, father of Jawaharlal Nehru, and Madan Mohan Malaviya, a key Congress politician and orthodox Hindu, founded the Prayag Sugar Company, whose title evoked the holy Hindu bathing place near the city. They enlisted one of the most important and wealthy of the traditional Indian merchants of the city (Lala Ram Charan Das) who bought many of the shares. This family had already begun to prosper in the decentralized conditions of immediate pre-colonial rule. The Company procured machinery for sugar pressing from England, but the aim was to assemble the more basic apparatus locally. Motilal used his legal contacts with the local sugar growers in the surrounding rural districts to guarantee sugar supplies. Here, then, indigenous people used the forms of colonial legal structures and corporate enterprise, but brought them together with the aspirations, connections and sensibilities drawn from Indian society to try to effect change and to spread its benefits to ordinary people.

We do not know the fate of the Prayag Sugar Company, so an expert on development might well ask: But what did all this activity and debate really add up to, given the inflexibility of the colonial bureaucracy and the poverty and famines which wracked colonial India? The answer can be given both in the medium and the long term. In the medium term, the culture of debate and the moral insurgency of the Indian elite and its British interlocutors did, in fact, improve the social, economic and political conditions

of the Indian populace. The Bengal government acceded to the campaign against indigo planters in 1871 and accorded limited rights to tenants in the 1880s. Constant agitation and campaigns in the Indian and British press was one factor that caused British Liberal and Labour governments to concede a very limited degree of local self-government to India after 1883. This nourished the emerging Indian democratic culture and went a little way towards improving primary education and the distribution of relief in the countryside during bad seasons. Constant harassment by the press and emerging Indian public opinion made some inroads into what would otherwise have been the impermeable autocracy of the India Office. In the longer run, it is difficult to imagine the emergence of contemporary India's vibrant public culture and information economy without some of these initial steps. The issue was not so much the colonial origins of Indian development as of colonized Indians development of social capacity and their maintenance, in adverse conditions, of an entrepreneurial and critical spirit.

African comparisons and contrasts

Historians of sub-Saharan Africa make four key claims about the continent's pre-colonial inheritance and its early-modern encounter with the West (Vaughan, 2006). This suggests once again that it is the conflict and accommodation between indigenous and colonial institutions, rather than colonial institutions *per se*, which have determined Africa's development in the longer term, for better or for worse.

First, the slave trade and the implications of the expansion of slavery for internal African society stunted its growth, even if it did not actively 'under-develop' Africa. This is perfectly compatible with AJRs' data. Indeed, it is built into the idea of an extractive colonial inheritance. But it is important to note that, from the later-nineteenth century, much of West Africa, the key sector of the Atlantic slave trade, was relatively better placed in terms of commercial linkages, GDP per head and institutional stability than east Africa or even Southeast Asia. It remained so throughout much of the twentieth century. This may of course have fostered a type of economy in which powerful magnate 'gate-keepers' battened on external connections rather than exploit and develop internal

resources, as Frederick Cooper argues (Cooper, 2005). But it did at least stimulate new forms of entrepreneurship.

Secondly, much of Africa lacked or, rather, Africans felt no need to build powerful, well defined states to the extent that Europeans, Asians or North African Muslim societies did. There were some kingdoms with highly developed state-like features, such as Asante or Benin in the West or Buganda in the East. There were also large multi-ethnic empires. But these were usually built over, and did not generally replace 'tribal' segments either in the centre or at the periphery and do not seem generally to have established powerful ideologies which would have legitimated centralized control. Most importantly, complex, cash-based revenue systems had not developed to the same extent as they had in Eurasia and the Muslim North. Indians and subjects of the Ottoman Empire had long been used to 'rendering unto Caesar what belonged to Caesar' and this provided a more substantial base for colonial and postcolonial statehood. States in Sub-Sahara Africa tended to decompose from within relatively rapidly.

Thirdly, this combined with the often-difficult environmental conditions for agriculture, led to extensive rather than intensive forms of cultivation. As observed above, African farmers had, and retain today, what has been called an 'exit option.' (Cooper, 2004; Austin, 2005) This made elite control of labor and its allocation to wealth creation more difficult. This should not be interpreted as evidence that Africa failed to take some necessary evolutionary trajectory. Indeed, it probably made African societies more equitable and less exploitative than their Eurasian contemporaries until the later nineteenth century. Africans prized honorable leadership; they maintained complex social patterns based on age-sets, but in many areas they avoided constructing a well-developed, stable and exclusionary class structure. Partly as a result of this, the city as a social formation was not a marked feature of much of East and Central Africa, outside the Arab-influenced Swahili Coast. Again, unlike the great kingdoms of South, East and West Asia, sub-Saharan Africa did not generally have an ancient system of land-revenue payments based on the exploitation of peasant labor. This limited the emergence of indigenous commercial classes and partly explains Asia's differential advantage in

twentieth century development. There were, of course some important exceptions to this rule. In Yorubaland, for instance, a system of tribute payment to warlords from farmers had developed during the Yoruba wars. Political relationships were increasingly negotiated through cash. During the nineteenth century, the West African cocoa economy developed within, and in turn stimulated this cash economy (Berry, 1993). This reminds us that there was much variation within both West and East African economies and that trans-continental comparisons should not be driven too far. Yet, by and large, cash revenue systems were more deeply rooted in North Africa and in South Asia than in any part of Sub-Saharan Africa.

Finally, literacy was a latecomer in much of Africa, even during the colonial period. Asia and the Middle East had literate bureaucracies and commercial communities along with a high degree of popular 'literacy awareness.' This also facilitated the emergence of strong states. Paradoxically, then, it was the fact that a pre-colonial extractive state did not exist over much of Africa that made its colonial experience even more traumatic than that of Asia as Young (1997) and Herbst (2000), among others have demonstrated. The leaders of postcolonial states in turn attempted to create 'integral', 'patrimonial' states following colonial models and these continued to clash with many local structures and sensibilities (Young, 1997, p.290).

How does this relative weakness or absence of states, classes, literacy and cities in pre-colonial and early colonial Africa fit with the idea of the hybrid origins of comparative economic development?

Europeans created the most extractive forms of all colonial relationships relationship with West Africans in the form of the slave system. High settler mortality- or at least the perception of it- inhibited European settlement, in conformity with AJR. However, once the slave trade had been suppressed, or has moved southward to Portuguese territories after 1840, what was to become Ghana and Nigeria and other colonial territories in the North West were in a strong position to develop rapidly on the basis of what were called legitimate trades, palm oil, cocoa, timber etc (Hopkins, 1976).

Wealth created on the coast had a backward linkage effect, producing wealthy tribal elites and local kingdoms and enriching migrant cocoa farmers and bazaar traders (Hill, 1956).

In terms of the AJR formulation, colonialism in West Africa after the 1830s had two contradictory faces and this challenges their model. First, it created external economic linkages through trade, the activities of Christian missions and educational facilities, an entrepreneurial 'creole' elite and large coastal cities. All these provided the context for the growth of African capacities. The Gold Coast and Ghana had some of the earliest African newspapers and in the Gold Coast African National Union, one of its earliest anti-colonial political parties. Arguably, West African institutions have been more stable than those in East and Central Africa, despite periodic wars, relapses into authoritarian rule and misuse of oil revenues. The fact that West Africa has supported a huge population boom is good evidence of relatively successful comparative economic development. Yet, it is important to note that it was precisely the lack of a large white settler class –precisely because of its reputation as a 'white man's grave'- that indigenous entrepreneurship was able to flourish and a critical public emerge. For instance, Andrew Cohen in the British Colonial Office in the 1950s was able to argue that West Africa was two generations or more ahead of East Africa. In addition, the paradoxical benefits of having colonial institutions without a colonial settler class was enhanced by the inheritance of indigenous institutions already mentioned: cities and bazaars, some state-like formations, religious and cultural forms which appropriated and used incoming Christian education and mores.

The contrast here with East and Central Africa is clear. Colonialism came to the East quite late (after the 1870s) not so much because European fears of mortality as because of geographical remoteness. After 1870 a colonial and Indian settler class monopolized economic and political power, especially in what became Kenya, Tanzania and Rhodesia. Historians argue that this frustrated the development of African capacity for much of the colonial period (Low and Smith, 1976; Lonsdale and Berman, 1992). Consequently, East and Central Africans had much more difficulty using the mechanisms of the post-colonial state and economic institutions because of lack of experience and

colonial policies of divide-and-rule applied to different 'tribal' groups. This has led to misgovernment, genocide, economic stagnation and even in the case of Malawi and the Horn of Africa, the recent resurgence of famine.

In this case again 'western style' institutions, property rights forms of consensual government were known and potentially available to East and Central Africans. But their capacity for enhancing living standards has even now hardly been realized, mainly because the actual form of colonial rule—a dominant white farming sector with Indian subordinates, proved impermeable to most Africans. Additionally, pre-existing forms of social organization in many of these territories—the relative absence of market-based entrepreneurship of market organization—made it more difficult yet for these colonial institutions to bond with African ones and create flourishing hybrids. As Derek Peterson has shown, literate instruments, newspapers spread fast in Kenya. But they did so very late, in the 1940s and 1950s (Peterson, 2004). By comparison the Gold Coast and other West African settlements had newspapers as early as the 1870s, while India, as observed earlier, had its first daily newspaper in 1819 and its first Bengali language newspaper shortly afterwards. Similarly, town councils and juries with indigenous members also existed much earlier in Asia and West Africa than in East Africa. The reason for this concerned both colonial economic or political interests and also the inheritance of indigenous literacy and literacy awareness. By contrast, the medium-term historical analysis suggests that the relatively denser white settlement in East Africa impeded rather than advanced comparative economic development.

Conclusion

This paper has argued that Acemoglu, Johnson and Robinson have created a powerful tool of long-term historical analysis that has the great advantage of being empirically testable. My concern has been to suggest ways in which to make their model compatible with, or bring it into dialogue with, a very different type of methodology employed by social and political historians or historical anthropologists. Historians build up larger structures of argument from carefully contextualized special cases, or local and regional

studies. I think these can be used as useful checks on the broader arguments advanced by long-term analysts, such as AJR, North and Landes, or for that matter, Gunder Frank.

In addition, social historians draw attention to less easily measurable factors in development which were endogenous to different world societies: for instance, rates of literacy in pre-colonial or colonial times, the circulation of information through news sheets or later newspapers, the existence of local deliberative bodies, or the participation of indigenous people in such bodies under colonialism, the degree of protection historically afforded to tenants, and so on. Adopting what I have called a hybrid approach to the history of economic development to show how colonial institutions have been functional to the growth of incomes and well-being at different times and not at others, should help analysts to fine tune the broader models. First, it would help to further refine critiques of the use of current GDP per head as a benchmark for long-term development. We also need to be more alert to medium-term historical change. Something would be lost by not noting that in 1950, West Africa and Burma, for instance were as wealthy and economically sound as Singapore, Thailand and Malaysia.

Secondly, it would help to refine the notion of ‘colonial institutions’, breaking down this broad category into several different elements at different times and places. The British dominions, for instance, cannot really be placed in the same category as India or Nigeria. Thirdly, detailed historical contextualization would allow us to bring into the argument pre-colonial, non-colonial or indigenous institutions. This would give us a better idea of how clearly benign institutions – equality before the law, one man one vote, the right to criticize government – traveled and were transformed in different colonial environments, many of which were hostile. Fourthly, turning to the arguments of Sen, Appadurai and others, the wider use of historical data in development debates would give historical depth to the notion of capacities and capabilities. The history of newspaper in India, which was considered here, has been entirely positive in its political, social and economic impact. It took root partly because a culture of criticism was allowed to develop by authorities in the UK, even when it was irritating to the Indian government- a

‘colonial origin.’ But it also flourished because it bonded with existing styles of information gathering and criticism- an ‘indigenous capacity’ that was thereby enhanced.

What is the use of all of this to policy makers? Firstly, historians can introduce a much-needed uncertainty into the minds of policy-makers. The possibility of ‘chaos’-in the technical sense- emerging from policy initiatives is very great. Unintended consequences follow from improperly analyzed assumptions. The British in Iraq, 1914-20, swept away the Ottoman government, its municipal councils and its revenue system on the grounds that they were ‘despotic.’ The result was a series of ethnic insurgencies that continued throughout the 1920s and consumed 40% of the colonial Office’s budget that might have been spent on African development. The consequences of Sir Arnold Wilson’s administration might have served as a warning to our recent politicians. General ideological principles need to be applied with care and ‘western’ democratic institutions are not the only benign institutions known to mankind.

Secondly, historical examples counsel administrative patience. India, once seen as passing through its ‘most dangerous decades’ or hobbled by a ‘Hindu’ rate of growth, is now it is seen as a thriving knowledge economy. Africa, three years ago was designated the ‘hopeless continent.’ But enhancing capacities, instilling the sense of aspiration takes time. It involves a long domestication process in which existing sensibilities can be adjusted to best practice from abroad. Peer educators are critical and so is transparent politics. Religious organizations, though a double-edged sword, cannot be ignored because they may affront western rationalism. This paper has taken a decidedly non-linear approach to the growth of material and moral welfare in the long term and here it contrasts with AJR’s broader reading. These two approaches are not necessarily incompatible; nor does one represent ‘historical truth’ and the other not. From the point of view of policymaking, however, the more diffuse and specific methodology of the social historians’ approach may help to nuance policy initiatives by emphasizing the complexity of historical causation. In the case centrally discussed above, the ‘institutions’ most likely to generate welfare will not necessarily bear much resemblance to the

common forms of western democracy and governance. They may for instance, be indigenous councils, conclaves of elders, religious institutions or cultural performances.

Thirdly, entrepreneurial classes may become corrupt when they operate as monopolists, but indigenous entrepreneurial traditions, whether on the model of the Indian *bania* community or the Chinese family firm, have proved critical in rapid economic development. These businessmen have a sense of the local market and can assess local patterns of consumption. Finally, the stability and proper working of local deliberative and civil society institutions are as important as ‘democracy’ at a national level. Centralization is often misguided. But any such democratic institutions must be legitimated by indigenous ideologies and practices if they are to be fully accepted.

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