

**Imran Ali.** *The Punjab under Imperialism 1885 – 1947.* Princeton: Princeton University Press, 1988. ix + 264 pp. \$ 49.50 (Hardback).

The title of Ali's book needs to be clarified. The work does not cover what is currently the entire Punjab, East and West. It is an economic history of the development of the canal colonies in the Punjab. These canal colonies fell entirely into Pakistan's area when the subcontinent was partitioned in 1947. So the work has special significance for the canal colony region of the Punjab, Pakistan.

As such, Ali's book fills a great need for two reasons. First, in Pakistan the green revolution has been based in the canal colonies. The rate and comprehensiveness of adoption of the package has been greater in the canal colonies compared to the other regions. If the canal colonies provided such a suitable environment for the adoption of agrarian technical change in the 1960s, then there is a need to assess their emergence and economic impact in the late nineteenth and early twentieth centuries. The question is: Did the emergence of the canal colonies result in an agrarian revolution at that time? This forms Ali's main problematic. And his answer is that the political and economic objectives of British imperial interests in the Punjab overrode their development interests, with the result that the canal colonies did not fulfil their growth potential.

The second need that Ali's work fills is to raise the question of the political behaviour of the Punjab. This question needs to be raised for two time periods, namely in the state of Pakistan since 1947, and earlier, during the independence movement in the first half of this century.

The province of the Punjab numerically dominates Pakistan. However, a nationality problem has emerged, with the smaller provinces alleging that the Punjab has a disproportionately larger share in employment (in the bureaucracy, the military, and the private sector through migration to other provinces) and national resources, and therefore has higher economic growth rates. The current economic prosperity and political complacency of the Punjab compared to the other provinces is probably related to its past political behaviour under the British. Ali attempts to explain the quiescent political behaviour of the Punjab under the British. His answer is that the gift of cultivable land and canal water to the Punjab as a whole and to specific land-owning elites ensured that this region did not join the anti-imperialist movement raging in the rest of India till just before independence. The twin argument pursued by Ali, of the unfulfilled growth potential of the canal colonies and the amply filled political potential, both due to British imperialist strategy, need to be examined in more detail.

### **Economic Growth**

The growth potential of the canal colonies could not be realized because

agrarian growth promotion policies frequently clashed with British political and economic interests, which were ultimately paramount. The argument that Ali follows is that, on the one hand, the economic potential of canal irrigation was unprecedented in South Asia. But, on the other hand, British political and economic interest (a) prevented the Punjab government from transforming the agrarian structure to make it more conducive to technical change, (b) allocated large proportions of land for military horse-breeding and personnel, and (c) privatized promotion of technical change. All of these factors led to a loss of efficiency in production.

Prior to canal colonization, agriculture in the Punjab was restricted to the valleys of its five rivers. The vast elevated inter-fluvial tracts, called *doabs*, were virtually uncultivable. British engineering cut canals between these rivers, which allowed irrigation and cultivation of the *doabs*. Land in these nine canal colonies was allocated to settlers from within the Punjab. Ali estimates that between 1885 and 1947, 11 million canal-irrigated acres were added to an existing 3 million. This became the largest irrigation project with an unparalleled increase in production in British South Asia.

Ali argues that this increase in production did not realize the much greater potential of this vast increase in irrigation endowments. Canal colonization simply expanded the production area, rather than improving the method of production significantly. There was very limited spread of improved seed varieties like American long-staple cotton. Increase in the use of fertilizer was insignificant. Introduction of tubewell and lift irrigation was a failure. And cattle- and horse-breeding continued on very unscientific lines, not meeting domestic demand. Ali argues that this technical change was limited in a number of ways:

- (a) The major argument is that the traditional method of organization of production persisted. Approximately 50 percent of the colony area was sharecropped out by absentee landlords. Presumably this implies that the Marshallian disincentives of tenants constrained the introduction of technical change, like shared returns and short leases. On the landlords' side, high rental income from a large owned area would also inhibit their introduction of technical change.

Ali's contribution is to show that this archaic agrarian structure of the Punjab was preserved in the canal colonies rather than allowed to break up under the pressure of economic forces. The reason for this was that British rulers, newcomers to the Punjab in 1849, needed the support of the Punjabi land-owning classes, that is, the peasantry and the big landlords. Therefore, the British were careful not to alienate these classes by upsetting the existing land-ownership structure. Ali demonstrates this in a number of ways.

Non-landed classes and castes were not allocated any land except through military allotments. Land grants were well-differentiated, ranging from peasant grants of under 50 acres to capitalist grants of above 250 acres. Large land-owning families who had allied with the British in the 1857 rebellion and in the Sikh uprisings, like the Noons, Tiwanas, Daultanas, and the Mamdots, were granted not only vast lands but private canals as well. These large farm sizes could earn high rental incomes, and so they were sharecropped out. So, on the one hand, a rentier class was strengthened and, on the other, a tenant class was ensured.

British policy tried initially to establish conditions of tenure like presence on the land, but bowed to popular pressure against it by the colonization act of 1912. With this, they lost their only lever to directly promote technical change. Ali argues in fact that the British contributed towards the maintenance of the non-productive high consumption lifestyles of the landed elites. The land alienation act of 1900 preventing the transfer of mortgaged land is seen as paternalistic legislation for bailing out the landed classes. Similarly, dissolute estates were managed by the British Government, and child heads of families were made wards of court to prevent their collapse. Ali's argument is well-complemented by another study in which Hamid shows the creation of private property rights in land by the British and the resulting polarization in the Punjab.<sup>1</sup>

- (b) The second constraint on technical change that Ali emphasises is the large proportion of land allocated to the military for horse-breeding and personnel. Horse-breeding grants approximately doubled the size of normal grants. These grants were also used for arable production, and their larger farm sizes contributed to increasing the rentier income through sharecropping out. Ali also shows that horse-breeding itself was not efficient, except on a few large estates run by British officers. The proof that he offers is that despite the large horse-breeding allocation, the army's demand for mounts could not be met. The experiment, however, continued because of the military compulsions of the British government.

The other argument, that land allocation to military personnel constrained technical change, is weaker. Ali claims that military personnel allotted land were not always from cultivating castes, and were therefore inefficient. This can only provide a short-run explanation of inefficiency, because these castes could always have learnt in the long run.

- (c) The third constraint on technical change that Ali brings out is the privati-

<sup>1</sup>N. Hamid (1980) *Process of Agricultural Development – A Case Study of the Punjab*. Unpublished Ph.D. Thesis. Stanford University.

zation of technical change. Rather than the British government demonstrating new inputs and new techniques, land grants were made on the condition of their introduction. So the grants were made for growing new seed, for using lift irrigation and tubewells, and for cattle- and horse-breeding. These experiments presumably failed because of a lack of direction.

There is also an implicit criticism of British policy on technical change, that it need not have been privatized for lack of funds. Most of the colonies are estimated to have had high positive net returns, some of them paying for themselves every two years (through water and land charges).

### Political Behaviour

The broader perspective that Ali's work provides is to explain the political behaviour of the Punjab under the British. In the first half of this century, a very broad-based independence movement was building up in all other parts of India. In the 1936 elections the Indian National Congress won the provincial legislature seats in several provinces on a strong anti-imperialist stance. However, in the Punjab, the Punjab National Unionist Party, an alliance of Hindu, Muslim, and Sikh land-owners came into power strongly supporting British rule.

This anti-nationalist stance of the Punjab is explained very well as the direct impact of canal colonization. Semi-arid Punjab was transformed into an agrarian growth pole over a few decades. The beneficiaries, the peasantry and the landed elites, were overwhelmed by the British gift of water and land. And they expressed their appreciation by supporting the government that had made them prosperous.

However, Ali must also include the other argument explaining Punjab's anti-nationalist stance, which has been put forward, for instance, by Jallal. That Punjabi land-owners feared the land reform manifesto of the Congress, and therefore also wanted to forestall independence from the British.<sup>2</sup>

This early increase in the irrigation endowments of the Punjab under the British, made the province into a growth pole after independence in the state of Pakistan as well. The theory of growth linkages, across sectors (between agriculture and industry) and across regions (between the Punjab and the other provinces), then, helps to explain Punjab's domination of Pakistan's economy.

**Moazam Mahmood**

Pakistan Institute of  
Development Economics,  
Islamabad

<sup>2</sup> A. Jallal. (1983) *Jinnah the Sole Spokesman*. Cambridge: Cambridge University Press.

**K. B. Suri (ed.)** *Small Scale Enterprises in Industrial Development: The Indian Experience*. New Delhi: Sage Publications India Pvt. Ltd., 1988. 348 pp. Rupees (Indian) 195.00 (Hardbound Edition).

The emergence of the small-scale manufacturing sector and its growing importance in the economy is a phenomenon common to most developing countries. This sector plays a vital development role by spreading industry in the underdeveloped areas, by encouraging entrepreneurship and providing employment. In India the small-scale manufacturing sector has grown rapidly since the mid-Sixties, particularly in the 'modern' sector, i.e., engineering, chemicals, and plastics industries, largely as a result of a shift in the production of components from large enterprises to smaller ones. In terms of total value-added in the small-scale sector, the modern subsector now contributes much more as compared with the traditional industries like handlooms. In recent years, the small-scale manufacturing sector has been producing increasingly for the final consumer, though a large part of the output is for intermediate consumption.

This raises two issues which have an important bearing on the development of the small-scale manufacturing sector. One is concerned with the relative efficiency of the small- as compared with the large-scale manufacturing sector; and the second with the quality of the relationship between the two. Both these issues are taken up in this book, but the focus is on the comparative economics of small and large manufacturing enterprises in India based on field studies of selected product-specific industries. Besides these issues, the papers in the book also deal with data problems related to the small-scale manufacturing sector and with government policy.

In the closely regulated Indian economy government policy has played an important role in the way the small-scale manufacturing sector has developed over time. But within the overall system of industrial development in India, the small-scale sector got little priority, despite the government's concern for this sector as reflected in its development policy objectives and various industrial policy resolutions. Thus, while much government effort has gone into the provision of consultancy services, training, technology support, etc., only around 2 percent of the total outlay in the public sector has been allocated to the small-scale manufacturing sector. Apart from this, government policy has been poorly coordinated and loosely implemented, which, as Dipak Mazumdar points out in his paper on Indian Textile Policy, has adversely affected the growth of the industry. Mazumdar highlights a number of dilemmas in Indian textile policy; for example, enterprises which received assistance from the government have not performed as well as the others, and have grown at a much slower rate.

Another paper shows that the location of small-scale enterprises within

industrial estates has retarded performance, though such enterprises had access to institutional finance and other incentives. Given that industrial estates were set up to protect small enterprises from the competition of larger ones by reducing their production costs, this is a surprising result. It only shows the ineffectiveness of the prevailing government policy, and its lack of coherence and coordination. But this does not mean that small-scale enterprises should not receive government attention or institutional support and all that the government needs to do in this regard is to remove obstacles which exist in the form of government regulations – the unremarkable World Bank policy prescription. What it does mean is that government policy needs to be streamlined and premised on observations about the small-scale sector which arise from empirical studies, including the ones reported in this volume. For example: as compared with the large enterprises small enterprises have a relatively higher average cost of production per unit of output; they generate lower output per worker, have lower wages, and usually employ the most vulnerable sections of the working population; they generate higher output per unit of capital; small enterprises using modern technology have enormous growth potential, and are important also because of spatial linkages; the very small enterprises are only rarely more labour-intensive, etc.

The rapid growth of the small-scale manufacturing sector in the late Sixties was due partly to industrial recession, particularly in the engineering sector, which forced industries to off-load manufacturing of the simpler components to smaller units. Given low overhead costs and lower wages in small-scale manufacturing, this reduced the production costs and fostered a close relationship between the large- and the small-scale manufacturing sectors, which is known as industrial sub-contracting. It is reasonable to expect that a complementary and mutually beneficial relationship would have developed between the two sectors. But the evidence provided in the paper by Banerjee, from a case study of the electric fan industry in Calcutta, presents an entirely different picture. The author shows that the smaller firms are used by the larger ones to meet the sporadic excess demand. The small firms in turn pass on the burden of market uncertainty to their workers, who are retrenched when there is no work and paid low wages otherwise. In any case, the smaller firms are much less efficient as compared with the large firms, produce poor quality goods, have low profits, and exist mainly as a source of employment to the owners.

The relative inefficiency of the small as compared with the large enterprises is brought out in almost all the related papers in the book, though the focus of each is quite different. Waardenburg's study of small enterprises in shoe manufacturing, which focuses on factor intensities and efficiency aspects, shows that without protection small enterprises would be unable to face competition from the larger ones. I.M.D. Little summarizes the results of World Bank studies on small enterprises and

comes up with similar conclusions. The evidence emerging from the Indian case studies is generally in line with cross-country results, showing that the inter-industry variations in capital intensity are much more numerous as compared with the intra-industry variations, and that low capital productivity is most often associated with the manually-operated enterprises employing traditional methods of production. These are important results, but the policy conclusions derived from them by the author are, as discussed above, debatable.

The papers in this volume make a precise study of efficiency and related aspects of the small-scale manufacturing sector in India, including evaluation of the empirical foundations of the idea that small firms promote a more labour-demanding developments; and it provides a critical assessment of the role of government policy in the development of the small-scale manufacturing enterprises. The appearance of this collection of papers is welcome, for it provides an opportunity to take stock of the new literature on small-scale enterprises. Though the editor has done a good job by providing a flavour of the arguments in a clear and non-technical language in the introduction, the non-professional cannot get more than the illusion of understanding the issues involved. Still it deserves to be read widely.

**Khwaja Sarmad**

Pakistan Institute of  
Development Economics,  
Islamabad