

Report for The History Project

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Note: Grant funds were used to conduct archival research in Lahore, Islamabad, London and Cambridge on the issue of debt and economic development in colonial Punjab.

Report

‘If history shows anything, it is that there's no better way to justify relations founded on violence, to make such relations seem moral, than by reframing them in the language of debt—above all, because it immediately makes it seem that it's the victim who's doing something wrong.’

-David Graeber, *Debt: The First 5,000 Years*¹

No rural problem in colonial Punjab preoccupied the official imagination like peasant indebtedness in the late nineteenth and early twentieth centuries. Whether it was the high priests of officialdom in the nineteenth century who viewed it as an inevitable phase in the monetisation and liberalization of the Punjabi economy or the passionate junior officials who were moved by the plight of the landless peasantry to petition for remedial legislation, peasant indebtedness remained a burning policy issue throughout colonial rule in the province. Despite this however, there was little success in combating the scourge of indebtedness. Even after the passage of the landmark Punjab Alienation of Land Act in 1900, senior officials remained reluctant to endorse an active role for the state in alleviating indebtedness. Indeed the Act itself can be considered less as an instrument benefiting the peasantry and more in line with the interests of large landlords in the province. However, the early twentieth century witnessed an outpouring of reforms championed by junior officials. At the same time local politicians, particularly those belonging to the Unionist Party, introduced a series of laws aimed at curbing indebtedness. Both types of reform, the legal-institutional changes ushered in by the politicians and the microeconomic community-

¹ David Graeber, *Debt: The first 5,000 years* (New York, 2011), p. 5.

based movement favoured by the state, were predicated on varying conceptions of what caused indebtedness and what could be done to alleviate it.

In some ways, indebtedness was a convenient social ill to focus on, providing scapegoats outside the state machinery and existing power structures. This allowed for comfortable prescriptions, whether legal or in the establishment of cooperatives, that did not threaten the influence of rural politicians or the bureaucracy. The legal changes introduced represented an instance of institutional change that built on the earlier colonial endeavour to formalise property rights and provide a judicial avenue for resolving cases of indebtedness in court. The cooperatives on the other hand, represented a microeconomic experiment bearing close similarities to contemporary ideas on community development or the popularisation of microfinance.

In 1884, S.S Thorburn, a district officer in Dera Ghazi Khan, Punjab, published his statistical study of indebtedness in the Punjab. This led to passionate advocacy for the introduction of legal measures by the government to provide relief to indebted peasants and, after a decade of policy discussions and peasant riots, the Punjab Alienation of Land Act was passed in 1900. This Act prohibited the outright transfer of land from agricultural castes to non-agricultural castes and was therefore intended to check the power of urban moneylenders. It soon became apparent that the Alienation of Land Act was not a panacea for indebtedness as landlords started lending out larger sums themselves, thereby supplementing their own land holdings when the indebted peasant defaulted. The condition of the poorer peasants remained just as precarious.

This scenario provided the perfect opportunity for the youthful enthusiasm of particular colonial officials to be translated into innovative policy cures and the cooperative movement in the Punjab may be seen as an example of such remedial measures. However, the movement met an inglorious fate despite the passionate exertions of these officers. In some ways, it reflected the larger failure of 'developmental policy' in the Punjab, which had arguably caused the scourge of indebtedness in the region in the first instance.

More importantly, the movement is a perfect microcosm for the examination of development policy in the Punjab under colonial rule. While existing scholarship focuses on the impact of large-scale economic changes, a study of a microeconomic policy and its impact allows an alternative way of understanding the nature of the colonial impact in the province. This throws up many loci of debate even within the

official machinery as the various tiers of bureaucratic machinery differed over the meaning and purpose of economic reform in the province. It also complicates the binary view of the Punjab government as either benevolent or mercenary, instead revealing the internal conflicts and how these affected the everyday implementation of ameliorative policies.

Despite the rich rhetoric, which referred *inter alia* to the brotherhood of men, social equality and inculcating better farming and living habits the cooperative movement remained peripheral and marginal in its impact. There were several reasons for this but perhaps the most significant sprang from the official machinery itself where there was a plethora of meanings attached to the word cooperation and what it entailed. A central question was whether it was a philanthropic device or a financial institution. Many officials were vehemently opposed to the idea of engaging with the peasant at such a deep and intimate level, considering it an unnecessary millstone for the government. Others were passionate about the movement but with both types of officials manning the administration at various levels, schemes were started and then abandoned when left in the hands of a less committed officer. A major impediment was the cultural stereotyping involved, which looked upon the peasant as inherently wasteful and incapable of redemption. Ultimately the movement failed to alleviate indebtedness in a real sense in the province.

The grant given under the History Project and the Institute for New Economic Thinking (INET) allowed the quantitative and qualitative analysis of the cooperative movement in colonial Punjab to be undertaken. At the same time the myriad legislative and bureaucratic changes introduced to combat this problem were analysed using provincial legislative debates and administrative discussions among political and bureaucratic actors. Starting with the Punjab Alienation of Land Act of 1901, various pieces of legislation were pushed by the Punjab Unionist Party especially in the period 1937-46 which came to be known as the period of 'golden laws'. By critically evaluating the preoccupation with indebtedness, it shows how the issue was a convenient one to focus on. A study of the cooperative movement, the major policy response on the ground to indebtedness, evaluates how the provision of credit from cooperatives had limited success and uses this 'policy intervention' to understand institutional failure and the nature and scope of development policy in the Punjab. It also draws close parallels with more contemporary solutions to underdevelopment,

including community development programmes and the popularisation of microfinance.