



The Punjab peasant economy during the great economic depression (1929-1939)

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Abstract

The Great Depression of 1929 is known as the longest, deepest and most widespread economic recession of 20th century in the world history. The Great Depression owes its beginning to the US in 1929 but soon it became worldwide, affecting the human lives, economy and societies. Depression reduced the employment rate from 3.2% in 1929 to 24.9% in 1933. India being a colony of Britain suffered the most and the direct effects can be seen on its states like Punjab, Bombay, Bengal etc. Punjab because of its agricultural importance and advancement in every sector faced the heat of depression on a high rate. The deflation increased debt burdens, distorted economic decision-making, reduced consumption, increased unemployment, and forced banks, firms, and individuals into bankruptcy.

Keywords: Great depression, economy, agriculture, trade and commerce, peasants, indebtedness, industry

Introduction

In the history of economic downturn, the most drastic example is the Great Depression of the 1930s in United States of America, when the gross domestic product of the United States decreased by 33% while the rate of unemployment increased to 25%. ^[1] This was followed by the stock market crash on 24th October 1929 which came to be known as Black Thursday. These crises included a series of regional banking panics in 1930-31, and a series of national and international financial crises from 1931 to 1933. After the First World War many countries financed their investments through the loans provided by the United States. But in the first half of 1929, the overseas money supply fell by nearly 30 percent till 1933. Eventually with the collapse of stock markets, America stopped providing loans to foreign nations and thus leading to a global depression.

India being a British colony experienced the depression severely. ^[2] Great Depression left Indian states with declines in production, employment, income and trade. In general, the agricultural regions and communities were the most affected due to the long fall in agricultural prices. With the aforementioned factual understanding, the present study makes an endeavour to understand the Great Depression and its spread to the world, with a special focus on its drastic effects on the Punjab economy.

Causes of the Depression: It was the worst depression ever experienced by the world economy originating from a multitude of causes such as the unchecked investor speculation on the stock market, financial problems, decline in consumers demand, and misguided government policies which caused economic output to fall in the United States. Many investors purchased great shares of stock financed mainly through the loans. With the inflow of more money, the stock market became too soaked and with this, creditors who supplied loans to the investors started demanding repayment of loan money. ^[3] This led to a widespread loan defaults and as a result the whole financial structure of the United States collapsed. This is also opined that World War I was also one of the reasons of Great Depression because excessive manufacturing activities carried out during the war, resulted in the crash of huge stock of unused items.

The Great Depression and Punjab Economy

The Great Depression was so deep that it quickly spread to the other parts of the world, affecting the human lives, economy and societies. The worldwide economic recession influenced all the industrial great powers and their colonies. Among these colonies India faced the heat of the depression on a high level, reducing the employment rate from 3.2% in 1929 to 24.9% in 1933. The colonial government had transformed Indian states into an exporter of agriculture goods and importer of manufactures by the 19th century.

^[4] According to P.J. Thomas, "before 1929 the trade fluctuations were not known to India". Towards the end of the 19th century, India became an integral part of world economy. Indian states were one of the important suppliers of raw material during the First World War. It provided large quantity of steel, iron and other material for the manufacture of arms and armaments. British government adopted the policy of industrialization and India became a supplier to it. These policies protected their economy but destroyed India's economy. These policies were created to give the British currency over the Indian Rupee through a high exchange rate.

^[5] With the annexation of the Punjab in 1849 by the British, the process of colonization of its economy and society accelerated. Now the region could be opened up as a market for the produce of British labour and developed into a supplier of raw material and food stuff with a thought to increase agricultural production and revenue from land. The British adopted an effective irrigation system to take advantages from the fertile land of Punjab. Colonies were developed specially in desert areas which caused rural migrations on the large scale. Irrigation projects completed between 1860 and 1920 brought 10 million acres of land under cultivation ^[6]. Development of the irrigation scheme transformed Punjab agriculture into one of the most export-oriented in the whole of Asia. Thus, making a significant contribution to strengthen the colonial relationship between England and India, but this integration made the Punjab economy more vulnerable to the market vicissitudes.

Economic dimensions in the Agricultural sector Slump in Prices

A new phase in the history of Indian and world prices began with the beginning of the world trade depression in 1929. Punjab like other primary producing economies experienced a sharp decline in prices. The prices of agricultural products had declined by 50 per cent whereas the prices of manufactured goods declined by 30 per cent between 1929-31. The fall of agricultural commodities had gone down to the extent of 57.8 in the Punjab. Prices and purchasing power were falling in the world market in the first half of the 1930s, from traded goods, the depression spread to non-traded ones^[7]. As a result of Great Depression the prices of commercial crops dropped drastically, thus impoverishing the whole of rural Punjab. However the demand for tax remained unchanged. The Ministry of the Agriculture stated that the rise from 1.95 to 12.66 per cent in the proportion of loans taken for the payment of revenue, as compared with the total amount borrowed from credit societies, showed that the peasant had been hard hit by the fall in the prices. The prices of the commercial crops such as cotton and wheat came down considerably during the depression, lowering the peasants' income and the standard of living too. The fall in prices made cultivation unprofitable. However, the liability of the peasants to pay land revenue remained constant. Low prices of things like wheat, rice and cotton meant that farmers across the world could not make money off their harvests.^[8] The price decline from late 1929 to October 1931 was 36% in India as compared to 27% in the UK and 26% in the US. The gold standard, which linked nearly all the countries of the world in a network of fixed currency exchange rates, played a key role in carrying the American downturn to other countries.

Effects on Peasantry

The Punjab Governor in his speech in the Legislative Council in 1933 described the budget largely a 'gamble of prices'. The impact of the Economic Depression on the Punjabi society was considerable. The immediate result was the breakdown of purchasing power. It caused widespread deprivation and impoverishment in the rural as well as urban areas in the Punjab. Thus, the fall resulted in the decline of purchasing power and affected the production and services which ultimately led to the increase in unemployment. The peasants and farmers faced a huge loss and the worst affected were the Punjab peasants. Punjab because of its agricultural importance suffered the most. It remained an important agricultural and trade center for British India. Farming communities and rural areas suffered the most as crop prices fell by about 60%. Peasants were crushed by various pressures such as, land revenue payments, effects of natural calamities, low prices, leading to indebtedness and interest payment etc. Further the depression had seriously affected the price of land in the province^[9]. The depression, thus, revealed the extent of depth of the integration of the Punjab agriculture with the world market economy as well as its vulnerability in the given colonial context. British colonized the agriculture so that they could get the best of it. Earlier the traditional Indian rulers took a large share of produce and the land had no market value in the beginning of the colonial rule. But the government had endowed the land with a market value by limiting their share.

^[10] Farmers who earlier produced food crops had moved over to the cash crops. According to Tomlinson, "Cash crop

cultivation increased in large number to meet the demands of the mills in the United Kingdom. Between April 1934 and February 1935, cereals showed a rise of about 13 per cent, oil seeds 19 per cent and cotton 5 per cent^[11]. High prices of necessary commodities along with the harsh taxes almost created a life end situation for the people. The farmers were not able to sell their products in India, nor could they export the commodities to the United Kingdom which had recently adopted a protective policy banning imports from India. As a result, peasant indebtedness in India increased. To pay back their debts, Indians began exporting precious metals like gold and silver.^[12] According to Keynes, 'Indian gold export promoted global economy recovery'. This is especially true for the speedy recovery of Britain because India was the British Empire's only largest market with its export to India at Rs.730 million during the period. The government under pressure was forced to increase tariff protection to industries. This led to increase in industrial investment. The colonial government built up its existing imperialistic economic policies. The imports fell by over 47% while the exports fell by over 49% between 1929 and 1932. This caused widespread poverty among the Indian masses. The railways and the agricultural sector were the most affected due to the recession. Shortcomings reportedly made agriculture unprotected to the initial price downturn and its crisis was a key element of the country wide depression. Agriculture had gone from prosperity to poverty.

Rural Indebtedness

The central concern of the colonial government was not people of India but the British investors who had money tied up in India. These investors were worried that a devalued rupee will hurt their investments. In fact, the Indian farmers suffered a triple squeeze. On the one hand, prices remained abysmally low. By 1931, wheat prices were down by more than 60% and took years to recover. On the other hand, peasants bore the brunt of the global credit crunch. By late 1920s, world's credit market had integrated.^[13] A farmer taking loan in Punjab was connected to the moneylenders of London and New York through an intricate chain of middle men. A failing bank in the United States or Europe could thus have a very real effect on interest rates for Punjabi farmers. As the Great Depression ravaged global economy, it became harder for Punjabi peasants for take loans to plant their next harvest while the moneylenders pressured them to pay back previous debts. The result was a never-ending cycle of indebtedness, with insolvency as the eventual destination. By 1934, 3.85 million families (77%) were in debt for more than double their annual income. Prices in India fell more and recovered more slowly than many other countries^[14].

^[15] Fragmentation of agricultural holdings affected the economic condition of the peasantry. The population of the Punjab increased by 14 per cent, while the number of cultivators increased by 217 per cent between 1921-31. Rural indebtedness remained central to peasant differentiation. The Punjab Committee on Indebtedness (1934), referred to land revenue as one of the main causes of indebtedness in the Punjab. The extent of indebtedness increased from 85 crore of rupees in 1921 to 270 crore of rupees in 1934, which came to rupees 104 per head on all those supported by agriculture. Fall in the prices reduced the borrowers' capacity to pay the debts. Whereas in 1919, the

percentage of the loans for the payment of land revenue was 9.8, it went upto 14.33 per cent in 1933, reaching close to 39 percent in certain districts. Loans to members of cooperative societies in absolute value declined from 241 lacs of rupees in 1929 to 97 lacs in 1937. Peasants were compelled to borrow more for repayment of the debt. The methods of cultivation remained extensive because the peasants did not possess the means of intensifying cultivation. Peasant differentiation resulted in the phenomenon of landlordism. It was noticed that those who cultivate 60 per cent of the land of the Punjab lived in poverty and want. They had no voice in the administration. The Punjab witnessed a prosperous class of non-working landlords whose representatives filled the Legislative Assembly, and who knew how to safeguard their interests.

The consumerist property of 1920s disappeared and many people were forced to give up their homes, cars and consumer durables. Farmers were unable to sell off their produce and the business collapsed. There is a reference, where the average net income of persons who cultivated their own land in the districts of Lyallpur, Sargoda, Montgomery, Amritsar, Rohtak, Multan, Jullundur, Hoshiarpur and Ludhiana showed the impact of economic depression between 1929-31. The land provided more than 60 per cent of the total revenue of the Punjab. Between 1872-73 and 1932-33, the area under cultivation increased by 63.7 per cent and land revenue by 112.9 per cent. The combined burden of land revenue and abiana amounted to 86.6 million rupees in 1929, which went upto 91.9 million rupees in 1939. On the other hand, Irrigation Department earned surplus from 23.8 million rupees in 1929, to 29.3 million in 1932^[16].

Objectives: The present research will study the burden of land revenue, condition of land holders and land dependent classes, ruination of industry and consequent unemployment. This study will be conducted to identify the roots of depression in Punjab and its effects on the Punjab economy as whole.

Conclusion

Thus the Great Depression proved to be a mixed bag for the Indian people. While the rural, agrarian states of India like Punjab suffered and the urban, industrial India came to the fore for the first time in the country's history. In effect, the rich got richer and the poor became poorer. The British mismanagement of the economy hurt Punjab industry as well. Peasants producing for the world market were the worst hit. The depression proved less grim for urban India. Because of falling prices, those with fixed income, say town dwelling landowners, who received rents and middle class salaried employees now found themselves better off. Everything costs low to them. Industrial investment also grew as the government extended tariff protection to industries, under the pressure of nationalist opinion. The Great Depression paved way for Gandhiji to launch the Civil Disobedience movement.

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