https://doi.org/10.1215/00182702-8304791

Accounting for the nation, marginalising the empire: taxable capacity and colonial rule in the early twentieth-century

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Abstract:

Modern forms of national accounting are widely understood to have emerged within the context of rivalry between the western powers and attempts to manage the economic fall out of World War I. There has been little consideration of the way in which imperialism shaped debates and approaches to national accounting. Providing a close reading of Indian scholar K.T. Shah's intervention in debates about how to measure the national economy of the 1920s, this paper seeks to shed new light on innovative debates within Indian economics in this period. In so doing, it also seeks to draw attention to the ways in which debates about national economy were themselves a site of contestation, and reaffirmation, of colonial power structures in the interwar years.

Modern forms of national accounting are widely understood to have emerged in response to the Great Depression and the imperatives of wartime production generated by World War II (see Studenski 1958: 149-155, Kendrick 1970: 304-315, Coyle 2014: 7-40). Developments in macroeconomy theory around the latter part of the 1930s enabled new understandings of 'the economy' as a singular, measurable object to be managed through government intervention. But these theoretical advancements were themselves made possible by earlier developments and debate. Adam Tooze (1998: 218-220) has argued that the question of German reparations provided major incentive for more accurate measurement of national wealth. Giacomo Gabbuti makes a similar argument for discussions of national accounting in Italy in this issue.

Whether it begins in the 1930s or before this, the standard history of national accounting thus sees competition between western powers during and around the two World Wars as a major animating force in the drive to establish an authoritative system of national accounting. We know almost nothing, however, about the role of colonialism and imperial politics in this history. This is striking given that European colonialism contributed significantly to western rivalry in this period. One consequence of this rivalry was the way in which colonialism came under greater scrutiny in the interwar period, through the development of institutions such as the League of Nations and other international regulating bodies, even as the geographic extent of British and French imperial power was allowed to grow. Within this framework, the interwar years was marked by the growth of anti-colonial movements across the world, movements that, increasingly over this period, came to be framed around claims to a national, rather than imperial, identity.

In side-lining colonialism, our current understanding of the history of national accounting presents European understandings of national economy, and of what was at stake in seeking to measure it, as the norm. But it also fails to scrutinise, and thus serves to naturalise, the processes by which it became possible to see the European powers as possessing *national* rather than imperial economies. To frame this criticism another way,

[1] Special thanks to the editors of this special volume, Poornima Paidapaty and Pedro Ramos Pinto, as well as to Kevin D. Hoover and the two anonymous reviewers for History of Political Economy for their generous and constructive comments. Thanks also to the other participants in the Measuring Matters conference held in Cambridge in 2017, especially Mary S. Morgan who has been an important source of learning and inspiration for this project. This paper has been much improved by feedback from Rohit De, Norbert Peabody, Ornit Shani and Emma Mawdsely.

thinking about the place of colonialism in the formation of national accounting methods requires looking at not only the ideas and methodologies that have come to form economic practices today but also at those that were abandoned or marginalised, and at how and why they were treated in this way.

This essay is a small attempt to address this lacuna and to draw out more clearly the importance of looking at imperial contributions (those of both the colonized and colonizer) to early twentieth century debates about national accounting. It provides a close reading of one Indian scholar's intervention in debates about how to measure the national economy of the 1920s. Comparing this with methodologies used by imperial officers in the same period, the essay shows how different understandings of the Indian economy and thus how to measure it motivated different approaches to data collection and different understandings of what was at stake in the task of national accounting.

In 1924 K.T. Shah and K.J. Khambata published a joint work, *Wealth and taxable capacity of India*. Shah was professor of economics at the University of Bombay and Khambata a research scholar working under his supervision. The book comprised two parts: the first, by Khambata, was a computation of India's annual national wealth from 1914 to 1922. Shah offered a study of India's taxable capacity in the second part. Their work received attention from economic specialists outside India, much of which was negative. Reviewers (Thatcher 1925) praised Khambata's work, but were critical of Shah, who was attacked for his methodology and for his openly political tone in what "ought to be [a] scientific work" (629). Offering a close reading of Shah's contribution to the book, this essay seeks to unpack the logic and reasoning behind is work but also to understand why this approach was seen to be so outside the acceptable disciplinary boundaries of economic and fiscal thought.

Shah and Khambata's work contributed to post-war discussions about how to define and measure 'taxable capacity', the ability of individuals and companies to bear taxation, which, was seen as a pressing issue in the wake of World War I. But the book must also be read as part of a much longer running body of Indian scholarship interested in measuring Indian wealth, and its drain under British rule. Indeed, British imperialism forged a particular interest in the task of measuring national wealth in India, that is often side-lined in more 'general' histories of national accounting. Uma Kalpagam (2015: 145-151) has shown that, the pressure on the East India Company to ensure that its operations were profitable ensured that accurate accounting was a hallmark of British imperialism from the outset, though the transfer to Crown rule in 1858 brought about a step change in the quantity and range of data collected. An early focus on collecting detailed data about trading practices shaped approaches to governance that saw colonial society and space in highly numerical terms. The Crown's formulation of 'Home Charges' in this period as contribution to British public debt added another dimension to this regime of accountancy. It rendered the 'cost' of imperialism in clear fiscal terms, as a liability to be shouldered by Indian subjects.

This distinct history provided a very different basis for discussions of national wealth in colonial India as compared to the west. From William Petty's assessment of the wealth of England in the mid-seventeenth century, to check the viability of the British Parliament's taxation plans to fund the Anglo-Dutch wars, through to discussions of German reparations after World War I, the problem of measuring national wealth has, in Europe, been tied to the question of war and state resources. In colonial India, on the other hand, the question of how to measure national wealth was intimately bound up with attempts to measure how the colonial state drained the wealth of the people and impoverished India.

First read to the Bombay Branch of the East India Association in 1876, Dadabhai Naoroji's *Poverty of India* sparked a series of attempts by both Indian and British economic specialists to measure India's wealth.[2] More than an exercise in drawing up a national 'balance sheet', Naoroji's argument showed how economic data could be used to hold the colonial authorities to account for the impact of British rule. At stake in these exchanges were not simply differences of calculation. Together with figures such as Ramesh Chandra Dutt and Mahadev Govind Ranade, Naoroji used his works to call into question and criticise British traditions of classical political economy more broadly. Drawing insight from the German historical school of economics, the Indian political economists argued that free trade was not a natural principle of economics but a policy designed to further British interests. Indian economic thought in the late nineteenth and early twentieth century firmly rejected theoretical abstraction in favour of more historical, institutional analysis.

Shah and Khambata's joint work must be read as a contribution to this established Indian debate. Shah's strong interest and prolific scholarship in the fields of law and history, as well as economics, are indicative of his own institutional approach, while Khambata referred directly to Naoroji's work but both parts of the book were clearly inspired by his methodologies. Like the earlier Indian economists, they were interested not simply in measuring India's wealth but in questions of how much of this wealth was accessible to Indians themselves. Naoroji's 1876 attempt to deduce the per capita income level of the Indian people had sparked a heated debate and a series of counter claims (see Rao 1939: 10). In Naoroji's own work, and the responses that followed, this income level was arrived at by dividing the total wealth by the most recent date on population numbers.

Measuring Indian income was also important to Shah and Khambata's work, but their study introduced a new element to the debate. Engaging with the work of Edwin Cannan, Josiah Stamp, Arthur Cecil Pigou and Irving Fisher, their 1924 study asked important new questions about income *distribution.* In so doing, their work reflects much more than a refinement of earlier nationalist approaches and should be read instead, this essay argues, as a powerful reformulation of ideas of Indian poverty and, through this, of India's future political economy.

Manu Goswami (1998: 622-623) has argued that the frameworks of measuring poverty used by late-nineteenth and early-twentieth-century Indian nationalists stressed the unity of Indian society in carrying the financial burden of colonial rule. Their works acknowledged that income was not distributed evenly amongst Indians, but the very methodology of the per capita income approach established poverty as the marker of Indian society as a whole. Shah's emphasis on income distribution and taxable capacity, however, presented Indian society as marked by economic heterogeneity and inequality, even as it remained united by the experience of colonialism. The concluding part of the essay will consider the implications of his argument for the history of political-economy in late colonial India, and beyond.

The early 1920s saw economic specialists across the world take an active interest in the question of how to define and measure 'taxable capacity'. Political conditions in Britain, and its colonies, meant that British economic specialists took a particular interest in this question. In Britain, the First World War had served as a catalyst for the development of increasingly sophisticated methods of personal taxation. (Daunton 2001, 2002). In the peace that followed, financial officials debated how far such forms of taxation could be used to pay off war debt. (Daunton 1996).

In post-war India, taxable capacity became a point of interest for other reasons. With the end of the war, the British Government passed the 1919 Government of India Act to introduce a new system of devolved government in the colony. Widely celebrated as marking

[2] This paper was published two years later as Naoroji, 1878. *Poverty of India,* Vincent Brooks Day: London.

the beginning of representative government in India, the 1919 Government of India Act ushered in an expansion of the Indian electorate and the state itself. Through the formation of provincial legislatures, Indian representatives were given new powers over certain 'transferred' subjects while the colonial administration dominated over the main edifice of government. Stephen Legg (2016) has shown how the triangulation of democracy, autocracy and bureaucracy underpinning the 1919 Act transformed the structures and institutions of the colonial state but also understandings of what constituted responsible government. The Act's imperial authors had envisaged responsible government in terms of *responsibility for* particular subjects but many Indians interpreted it in terms of *responsibility to* the people of India (Legg 2016: 45). Shah was a prominent advocate of this latter point of view (44-45, 59-61). In the same year as publishing *Wealth and taxable capacity*, Shah published a commentary on the 1919 Act with G.J. Bahadurji.

Dyarchy involved the division of political powers between the central and provincial governments, and, with this, the division of fiscal responsibilities (see Thomas 1939: 303-357). Provincial governments became responsible for public works, education, industry and agriculture – the so-called 'nation-building' activities – while the central government retained control over law, finance, revenue and home affairs. To help pay for the new services they were expected to provide, provinces were given control over land revenue, liquor excise, irrigation receipts, revenue from the forestry department, general and judicial stamps and registration fees. The central government controlled other forms of revenue including customs and income tax. But this was not an entirely straightforward division. Because land tax constituted the administration's largest single source of revenue it was feared that this division of income would leave the central government in deficit. Provincial governments were required to make regular contributions to the centre to reimburse this revenue loss (see Charlesworth 1985: 535) The new constitution thus promised new kinds of service provision to the Indian populace, while putting a heavy financial burden on the wings of government expected to provide it.

In this context, Indian economists grew interested in metropolitan discussions about taxable capacity. Published a few months before Shah and Khambata's book, George Findlay Shirras's *The Science of Public Finance* (1924) reflects this pan-imperial interest, while also highlighting the complications involved in applying the same ideas and economic methodology to the British and Indian context.

One of the leading British writers on the question of taxable capacity, and a prominent statistician and administrator within the Indian colonial administration, Findlay Shirras used his seven-hundred-page tome to set out two different techniques for measuring taxable capacity. The term 'taxable capacity' was defined in the same way in the case of both approaches, as the surplus of production over the minimum levels of consumption needed for that production. (Findlay Shirras 1924: 131-33). Where the approaches differed was in the method of calculating national levels of production.

The first method, known as the personal or aggregate income method, relied primarily on data from income-tax returns. The second method, known as the production inventory method, required calculating production levels across all sectors of the economy. The method one applied depended on the type of data available. Findlay Shirras explained that the aggregate income method was suitable for calculating the taxable capacity of those countries with a wide-reaching income tax system, such as Britain, France, Germany and the US. However, for India, where the main source of income (agriculture) was not covered by the income tax system, the production inventory method was best.

In all cases, and using either method, Shirras explained, taxable capacity could never be an absolute or fixed figure, but always depended on

> (1) the number of inhabitants in the State; (2) the distribution of wealth in the State; (3) the method by which taxes are raised; (4) the purpose of taxation; (5) the psychology of the taxpayers. (133).

Yet, the method used to calculate levels of national production played a determining role on the kind of information one could gather about factors (2), (3), (4) and (5). The kind of primary data used in the aggregate income approach (i.e. income tax data) provided information about the distribution of wealth and the purpose and method of taxation. Income tax returns gave few clues about the psychology of those paying taxes but the whole process of calculation made taxpayers the central unit of analysis. A good example of this approach can be found in Josiah Stamp's 1921 Newmarch lectures, published the following year as *Wealth and taxable capacity*. (Stamp 1922: 42-44).

While the inventory method was proposed as another route to establish the same concept (taxable capacity) in the absence of income tax data, the process itself produces a very different understanding of the thing being measured. This can be illustrated through Findlay Shirras's own deduction of taxable capacity in India, the archetypal example, he argued of where the inventory method could be used.

Findlay Shirras began by calculating annual levels of agricultural income. He tabulated the main crops cultivated in India and setting these against the size of the area devoted to each of these as well as the total amount of each good produced. These figures were then multiplied by the average wholesale price of each commodity on a province by province basis. To this was added the total sum of India's non-agricultural income, based on income tax returns, and thus final figure was then divided by the total population to give a rate of per capita income. (Findlay Shirras 1924: 138-44). Findlay Shirras then worked out the difference between national income and national consumption. Determining Indian consumption through generalised figures, he estimated that in 1922 Rs. 90 a head was the absolute minimum needed to feed an individual. He chose to represent this analysis in a single table, that allowed not only annual calculation but also comparative analysis over different time periods (see table 1).

Findlay Shirras's overall conclusion was that the total tax burden shouldered by the Indian people was considerably lower than that of their British counterpart. According to his figures, in 1920-21 public authorities absorbed "30% of the total taxable capacity in India as against 82 per cent in the United Kingdom." (148) Findlay Shirras acknowledged that it was precisely the difference in living standards that meant that Britain could withstand such levels of taxation while India could not. But a key conclusion of his argument was that taxes could be raised further to help pay for the new 'nation-building' tasks of government created by the 1919 Government of India Act (Findlay Shirras, 1924, vii).

In his own work on taxable capacity, K.T. Shah made no direct reference to Findlay Shirras's *Science* but he was certainly familiar with its author, who, like him, lived and worked in Bombay City.[3] Intentionally or otherwise, Shah's study was a wholesale assault not only on Findlay Shirras's methodological approach to measuring taxable capacity, but also on the assumptions that underpinned his understandings of the Indian economy, and, through this, Indian society. An interest in 'nation-building' underpinned the discussion of taxable capacity in Shah's work as much as in Findlay Shirras's, yet his understanding of the term was very different. Indeed, one of the basic conjectures in Shah's work was that the colonial state's taxation policy was not building the nation but harming it. He agreed that taxation was important for good government, but only if it served the interests of the national populace.

Findlay Shirras had included services in this calculation of national income, and thus in the amount of wealth from which to judge taxable capacity, but Shah and Khambata did not.

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[3] Shah cites several of Findlay Shirras's government papers on Indian finance and Bombay worker household budgets in his book.

While acknowledging the long and heated genealogy of whether services were productive, Shah and Khambata's justification of this omission was firmly in keeping with the broader traditions of Indian national economic thought which also discounted the contribution of services to national wealth (see Naoroji (1901) 1962: especially 170-173). Shah explained that "the only reliable and acceptable estimate of the national wealth can be had only in regard to material commodities." But more than this, Shah argued that "a number of services are really worthless, or even injurious to the community". (Shah and Khambata 1924: vii) This argument was presented in general terms, but his position as a colonial subject undoubtedly informed his discussion of the difficulties of expressing in tangible terms, the monetary value produced by "the lawyer…the merchant…the Soldier… the Civil Servant, …the Statesman (or politician) and the Teacher", professions whose senior ranks were still dominated by British men in this period." (Ibid) This list of "worthless" and "injurious" professions carries strong echoes of Gandhi's argument in *Hind Swaraj* though Shah made no direct reference to this work and many of his own views, particularly about economics, did not follow those of the Mahatma.

Even excluding services, Khambata (1924: 196) identified a general increase in the country's wealth over recent decades and estimated that the real annual wealth of India had increased by about 10 percent from the pre-war years, though his overall total for this period were lower than the figures given by Findlay Shirras (1924: 141) for the same period. He expressed concern in his closing remarks, however, about the way in which this wealth was distributed amongst India's population. Khambata estimated the gross annual income per capita of the Indian population to be Rs.74. (Shah and Khambata 1924: 201)[4] He pointed out that this was a highly abstract measurement as infants and adults were included together in the country's population figures. Furthermore, these figures reflected "the gross income of the people, from which charges [taxes and other levies] must be deducted in order to arrive at the total income available for enjoyment to the people of this country." (200) Once this was done, Khambata argued, "the measurement of the Wealth of India, [became] the measurement, rather of the poverty of India's millions." (203)

Shah's discussion of taxable capacity proceeded from this point. Tabulating duties and charges other than official taxes – which Shah took to include postal, railway and irrigation charges, payments and interests on foreign capital invested in India, payments for shipping and banking services, and of course, Home Charges – he concluded that the Indian populace was left with a little less than Rs.1900 crores[5] from which to pay national taxes – central, provincial and local – as well as any domestic production costs (237-8). Shah included in this latter category raw materials, transport but also a diet adequate to feed a labouring individual.

In his work on taxable capacity Findlay Shirras had argued that the basic level of subsistence was a nationally relative concept. Shah agreed that "The food required by an individual varies not only according to his or her age, height, weight, and constitution in general, but also according to the climate under which the person is living and the work he is doing." (241). But he was interested in establishing a more concrete measure of minimum human need. Drawing on works by Benjamin Seebohm Rowntree (1919), Bernard McFadden (1924) and Frederick William Pavy (1874) he sought to determine a level of human sustenance below which a person could not function in even the most basic way. Following Naoroji, (1878) Shah analysed contemporary information about the dietary intake of different sections of Indian society including jail inmates, Indian army officers, lascars and those under the Bombay Famine Relief system (243-250).[6] He deduced that "the cost of nourishing a human being on

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[4] This was somewhat lower than the figures of Rs.107 and Rs.116, given by Shirras for the years 1921 and 1922 respectively. Shirras 1924, 141.

[5] Crore is a South Asian term to denote ten million

[6] On the history of the Famine Code and its place on interwar debates about food policy see Sunil S. Amrith, 2008. "Food and Welfare in India, c. 1900-1950", *Comparative Studies in Society and History* 50, no. 4: 1012-

the same scale as a prisoner, that is the lowest scale of comfort consistent with keeping body and soul together" was, in current price terms, approximately Rs.90 per annum, considerably in excess of the Rs. 74 per capita income calculated by Khambata. (Shah, Khambata, 1924: 252)[7] Including taxes and deductions of around Rs.18 per capita per annum, Shah concluded that "the average Indian income is so small that it is quite insufficient to meet even all the primary wants of man of food, clothing and shelter. Assuming that the last is relatively unimportant under Indian conditions…the average Indian income is just enough either to feed 2 men in every three of the population (or give all of them 2 in place of every three meals they need) on condition that they all consent to go naked, live out of doors all year round, have no amusement or recreation, and want nothing else but food, and that, the lowest, coarsest, the least nutritious!" (253).[8] Such an argument highlighted the difference between basic need and any sense of quality of life. No doubt these were the passages that British critics had in mind when they charged him with being too political but, in using the data to reason about the human condition in this way, Shah was getting closer to capturing a sense both of the 'distribution of wealth' and the 'psychology of the taxpayer' which Shirras had himself argued were vital factors for deducing taxable capacity.

From here Shah turned to the question of India's tax burden. He highlighted the effect of the 1919 Act on taxation levels, breaking down his analysis into a discussion of taxation and expenditure by the various tiers of Indian government: central, provincial, municipal and the local boards. In his view, the total tax burden on the people of India could be rounded up to Rs.400 crores per annum, or Rs.12.5 per capita per annum (261). However, Shah explained, the full significance of the tax burden became clear only when one ascertained the proportion of each taxpayers' *personal* wealth spent on tax.

Shah used the final section of his work to focus on the social distribution of this tax burden. Here, Shah drew heavily on Indian income-tax data, in spite of the limited financial and social reach of the tax system. The wartime reforms of the British income tax system had triggered some changes in India also. Influenced by British tax legislation, the Government of India moved Indian income tax from a fixed rate to a progressive tax system in 1916, prompting a threefold rise in revenue collection.[9] Yet the number of Indians affected by income tax remained tiny. The 1924 Economic Enquiry Committee (1925: Vol 1, 28) reported the total number of Indian tax payers for the 1922-23 fiscal year was 238, 212.[10] The 1921 Census put the total population of India at almost 319 million people, meaning that around 0.07% of the population paid income tax.[11] (To put this into perspective, 5,747,000 British people, or 13% of the population, paid income tax in this same period, (see Daunton 1916: 889). Importantly,

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1015 and David Arnold, 1994. "The 'Discovery' of Malnutrition and Diet in Colonial India", *The Indian Economic & Social History Review*, 1994, vol. 31, issue 1: 1-26.

[7] There are strong parallels between this emotive language and that used by Naoroji in (1901) 1962. *Poverty and un-British rule in India:* 289-90.

[8] It is worth contrasting Shah's discussion here with that of another Indian national economists, Radhakamal Mukerjee in his 1916 work *The Foundations of Indian Economics*. Mukerjee compiled information from a range of household budget surveys to discuss Indian poverty but was resolute that this question must be managed on the basis of familial assessment, and not individual. See pages 56-59 and also 15-46 of this work.

[9] Income tax revenue rose from Rs. 3 crores to Rs.9.5 crores rupees in 4 years. For more on these changes see Newbigin, 2013. *The Hindu Family and the Emergence of Modern Citizenship: Law, Citizenship and Community.* Cambridge: Cambridge University Press: 58-92.

[10] V.K.R.V. Rao estimated that, a decade after this, in 1931-2, 913,582 individuals – as opposed to 'legal person' (a term that included companies, firms and Hindu Undivided Families, paid income tax – about 0.25% of the population of India according to 1931 census figures. V.K.R.V. Rao, 1940. *The National Income of British India, 1931-1932,* London: Macmillan: 125-129.

[11] The total figure for population was: 318,942,480. Census Commissioner, 'Census of India, 1921', (1922) Vol. 1, Part II – Tables, 2-3. To put this into contrast, 5,747,000 British people (or 13% of the population) paid income tax in this same period, Daunton,

income tax covered only non-agricultural income, leaving agriculture, India's primary economic sector outside its purview. It was for these reasons that Findlay Shirras had argued the personal aggregate approach to taxable capacity could not be applied to India.

Shah made income tax data central to his methodology but used this information to think about the distribution of wealth across Indian society. Recognising the limited reach of the tax data, Shah began with the information he did have. He calculated the total amount of income tax collected annually and divided this between the total number of taxpayers. He thought it reasonable to assume that if there were about 250,000 people who were officially registered to pay income tax, there were probably three times that number who should be paying the tax but had managed to evade it (Shah and Khambata 1924: 298). He concluded that a million people in India enjoyed a total income of around Rs. 375 crores or an annual average income of Rs. 3,750. If each of these individuals supported four dependents from this income, "we have a per capita income in this class of Rs.937.5 per annum" (298).[12]

This covered only non-agricultural income. Using census data and land records, Shah estimated that agriculturalists generated around Rs.175 crores per year. Across all the Indian provinces, Shah identified a little more than 12 million (12,358,550) rent receivers, the group, he argued, which enjoyed this income. Thus Rs.550 crores (the total of the income collected through agricultural taxes and income tax *plus* Shah's estimate of undeclared income) supported roughly 17.5 million people (the 1 million income taxpayers (actual and potential), their 4 million dependents and the 12 million + rent receivers) on an income of roughly Rs.325 per capita (302).

But what about the remainder of the population? The vast bulk of Indians drew their livelihood from agriculture. Shah analysed the distribution of the remaining proportion of national income on this basis, subtracting Rs.550 crores from Khambata's estimated total annual income of Rs.2,364 crores, as well as another Rs.175 crores, which, he argued, reflected the wealth of landlords and rent receivers. This left around Rs.1,325 crores which, Shah argued, must be distributed amongst ordinary cultivators of whom 19.31 crores had been recorded under the 1921 Census. This gave a per capita income of for this group of Rs.68.6 per annum.

Shah did not stop here. Within this lower earning group, he argued, "It would… be absurd to assume that this whole amount is distributed equally and equitably among the total population" (304). Using detailed data from income tax records and combining this with speculation about the relative size of different social classes, Shah argued that the distribution of wealth across Indian society could be broken down in the following way:

> 6,000 individuals with an average income per head of Rs. 100,000 per annum absorb [Rs.]60,00,00,000 among them, and support 30,000 persons.
>
> 270,000 individuals escaping or exempted from the Income Tax, but having an income liable to that tax, with an average income of Rs. 5,000 per head per annum, absorb among them [Rs.]135,00,00,000 and support 1,350,000.
>
> 2,500,000 individuals with an average annual income of Rs. 1,000 absorb among them Rs.250,00,00,000 and support 1,25,00,000 persons.

[12] To put this into perspective, under the second schedule of the 1919 Government of India Act members of the executive council of the governor of Bengal, Madras, Bombay and the United Provinces were allocated an annual salary of up to Rs. 64,000 (with members of the council of the governor of Assam permitted to draw up to Rs. 42,000 a year). The maximum salary of the Governor-General of India was Rs. 256,000. *Government of India Act, 1919*, ch. 101.

> 35,000,000 individuals with an average income of Rs.200 per annum absorb among them Rs. 700,00,00,000 and support 10,00,00,000 persons.
>
> The remainder have an average income of about Rs.50 per annum and absorb among them 825 crores. (307)

"The result of this calculation" Shah continued "is that more than a third of the wealth of the country is enjoyed by about one per cent. of the population, or allowing for…dependents, about 5 per cent. at most; that slightly more than another third, about 35 per cent. of the annual wealth produced in the country, is absorbed by another third of the population allowing for the dependents, while 60 per cent. of the people of British India enjoy among them about 30 per cent. of the total wealth produced in the country" (307).

Framing taxable capacity in this manner, Shah did not simply contest Findlay Shirras's data but transformed the nature of this capacity to produce a fundamentally different understanding of the Indian economy and, through this, Indian economic society. Findlay Shirras had argued that paucity of data meant that Indian taxable capacity should be measured using the 'production inventory method'. Yet the inventory method itself was premised on, and thus its findings served to reproduce, a particular understanding of India as a repository (of goods and labour) from which the colonial state was entitled to draw its wealth.

Shah's understanding of the Indian economy as something that related to Indian people led him to see and thus measure taxable capacity quite differently. It was this understanding of the economy that prompted him to ask questions about the distribution of India's wealth, not only between India and Britain as earlier Indian economists had discussed, but amongst Indian people themselves. In this sense, his study had more in common with discussions about taxable capacity in the British context, than with Findlay Shirras's work on India, but it did not reproduce the 'aggregate income approach' advocated by Findlay Shirras and Josiah Stamp in the British context – the lack of income tax data in India made this impossible. Rather, Shah forced a reversal of the statistics gathering process, using the limited information he possessed about the small number of Indian income taxpayers to reveal in some detail another figure – that of the little or no-income earning subject who, Shah argued, made up the majority of the Indian populace.

In so doing, Shah criticised imperial taxation policy and governance for depriving large swathes of the Indian populace of the most basic rights and resources. But he also opened up new ways of thinking about the Indian people from within the nationalist critique. Shah's analysis made the redistribution of resources and economic uplift of the poor, defined in terms of household income levels, an imperative for a self-governing India. While the taxpayer was the focus of new ideas of national-economy emerging in Europe, for Shah, it was the non-tax paying poor that were the focal point of an emancipated Indian national-economy. Within the broader cannon of Indian economic thought, his 1924 study seems to offer an opportunity to imagine Indian society as a united but internally heterogeneous collective, to see the poor not in generalised abstraction, but as discernible individuals with distinct wants and needs.

How far was this opportunity acted upon? That Shah's argument was criticised by British peers is unsurprising. However, even amongst Indian scholars and political leaders, this specific work and the potency of Shah's arguments about the distribution of wealth in Indian society do not seem to have prompted any extensive engagement. This does not mean, however, that we should ignore this work or its implications.

In 1939, Shah was selected by Subhas Chandra Bose and Jawaharlal Nehru to serve as secretary for the Indian National Congress's National Planning Committee. This body and the series of reports it produced are widely seen as laying the roots for the Indian experiment in economic planning, even as these debates came, in the mid-1940s, to be dominated by rather different political voices, most noticeably the representatives of Indian capital. The shared language of economic planning in this period was arguably more reflective of a desire to obscure deep rooted fractures in the Indian political landscape rather than the outcome of any real consensus amongst Indian leaders (see Zachariah 2005: 213-263). There has been significant scholarly interest in showing how and why Indian opponents of socialism came to support economic planning (Tomlinson 1993, Zachariah (2005) 2012). However, Shah's 1924 work gives new insight to our understanding of the 'other side' of this debate, revealing how economic planning could be seen not just as a mechanism through which to raise India to the economic status of other polities, particularly the USSR, but as one that was linked to and informed by more local debates about how to address economic inequalities and effect more radical social change.

Shah's work can thus enrich our understanding of late colonial debates about political economy in India. However, it holds even greater insight for discussions of economic history that have so far been unrelated to the subcontinent. Shah's work reminds us that the development of modern national accounting involved settling not only questions of methodology, about the means by which to formulate those accounts, but also questions about what constituted the nation that was to be measured in this process. In this sense, Shah's British critics were right: his text was political, but so too was their refusal to engage with his methodology as economic practice. Alain Desrosières (1998: 1-13) and Theodore Porter (1995) have shown that for economics to 'hold' and be useful in the world, it must speak to and work in tandem with the world views and 'truths' of other social and political power structures. Shah's work was dismissed as un-scientific because it disrupted the 'account' of Indian society and its economy that underpinned British understandings of the 'truth' of British colonialism and India's place in the world.

Shah and Khambatta's work does not contest existing histories of modern national accounting, as a set of practices that arose from western debate. Rather, it helps us to see the political parameters of that debate and how economic theory and practices could work to uphold and naturalise the early twentieth-century political order. This is what a more global history of national accounting can give us – an account of the past that reveals, rather than reproduces, the politics of economic thought.

<u>Table 1: 'The taxable capacity of British India' taken from G. Findlay Shirras, 1924. *The Science of Public Finance*, p. 146.</u>

Details	1910-11 (census 1911)	1920-21 (Census 1921, a distinctly bad year)	1921-22 (good for Agriculture but year of Trade Depressions
	Lakhs of Rs.	**Lakhs of Rs.**	**Lakhs of Rs.**
1. Income			
Agricultural	1412,00	1715,00	1983,00
Non-agricultural	530,00	883,00	883,00
Total income	1942,00	259,00	2866,00
2. Allow for minimum consumption	1214,00	2220,00	2220,00
3. Allow for seed and manure	141,00	172,00	198,00
4. Allow for replacement of and ordinary additions to capital	25,00	45,00	55,00
5. Taxable capacity (1, 2, 3, 4)	562,00	161,00	393,00

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