The Marxist historians said that these two forces – colonialism and globalisation – jointly made the third world poor. Using their political and military power, the Europeans forcibly extracted money and goods from the poorer regions to sustain economic growth in Europe. They offered a story. Capitalism worked, as Marx had shown, because capitalists exploited labour efficiently. Capitalism as a worldwide force caused growth as well as poverty, because it was based on exploitation of poor countries that supplied labour by rich ones that had more capital. When colonialism joined capitalism, the result was increasing poverty and underdevelopment for the countries of Asia and Africa. Many regional nationalist movements fighting for the end of colonial rule since the 1940s had already made a similar claim. One of the more influential versions of the claim emerged in India. Around 1900, two writers, Dadabhai Naoroji (1825–1917) and Romesh Chunder Dutt (1848–1909), said that British rule was making ordinary Indians of their time poorer. Dutt suggested that trade with Britain destroyed the Indian handicrafts, which led to poverty. Naoroji argued that payments abroad, as business profits, salaries and pensions of government officers, and interest on public debt, were a form of draining savings and made Indians poor. These writers were almost forgotten in the mid-twentieth century, when Marxist historians rediscovered them and used India as an example in their history of the whole world. Together, these two traditions enriched the story that colonialism and globalisation made India poor, a story that I have called in an earlier edition of this book the Left-nationalist theory of Indian economic history. In academic scholarship, the Left-nationalist version flourished until the 1980s, but then declined. The Marxists had failed to explain why countries that were never colonised – like China – had stayed poor as well. Few professional historians using Indian data believe that the two propositions that Dutt and Naoroji made can stand up to serious evidence. Even many nationalist leaders who followed these intellectuals did not accept the Dutt–Naoroji view that colonialism had done more harm than good to India.

In the last 20-odd years, the economic emergence of countries like India and China revived interest in their economic history. There were two strands in this research. One of these applies the classical economics ideas, suggesting that the poorer countries were institutionally different from Western Europe – that is, had a weaker version of capitalism, and therefore fell behind. A second strand suggests that India and China were not institutionally very different from Europe but had fewer natural resources to generate an industrial revolution. Both these propositions enabled comparing a colonised country like India and an independent country like China better than in Marxist history, and both were, like the classical theory, upbeat on capitalism. This book does not use either the modified version of world economic history or the Left-nationalist version of Indian history as frameworks of analysis.

These theories are too preoccupied with explaining inequality between nations to notice inequality within India. They obscure the broad pattern of economic change in India. For example, in the cross-country data set that economists use to discuss world inequality, every country is represented by exactly one attribute: average income. Every country's history is represented by one number. By considering only average income, the rise in international inequality becomes the only fact that there is to explain. This project is untenable if the averages hide growing diversity and inequality inside every country. A good reason to do economic histories of regions is that we can abandon the fixation with averages and uncover the diversity of experiences that these numbers hide, bringing the attention back to the diversity, and asking why globalisation and colonialism had a differential impact on the Indian economy.

On a similar ground, I do not think that the Left-nationalist version of world economic history is useful either. Although the idea that British rule made the Indians poor lives on in internet blogs, popular history and nationalistic discourses, evidence-based history has long found it inadequate and untestable. The nationalist version is out of touch with the advancement in world economic history that has produced a more complex view of European colonialism than that of a grand machine of exploitation. It is too caught up in providing a justification for nationalism to ask questions like those that I identified in the previous section.

Modern economic growth was owed to overseas trade, which favoured the seaboard, and to an agricultural revolution, which favoured the regions that could access water cheaply. A few such regions emerged in colonial India or had existed from before. In a few regions, like Punjab, the water problem found a solution. The business of the big cities was never seriously depressed. The volume of long-distance trade in India grew from roughly 1–5 million tonnes in 1840 to 150–160 million in 1940. As profits in trade were reinvested, colonial India led the contemporary developing world in two leading industries of the industrial revolution: cotton textiles and iron and steel. At the time of Independence in 1947, the port cities were home to some of the best schools, colleges, hospitals, universities, banks, insurance companies and learned societies available outside the Western world. A big part of that infrastructure had been created by the Indian merchants and industrialists, in collaboration with foreigners.

When new jobs opened in these areas of expansion, be it the port city or the prosperous agricultural area, people from poorer areas would migrate there in search of better work or more work. Such movements happened. But there were barriers to such moves too. Education was not accessible to all. Skills were learned at home rather than in schools. Caste became a barrier to learning a new skill. Women, being married at a very early age in India, could not easily migrate in search of jobs. Men took more of the good jobs available, again causing inequality to rise. At every step, the book reveals gainers and losers from processes of change.

Adapted by Emma McKenna from *The Economic History of India, 1857–2010* by Tirthankar Roy (2020, OUP India), pp12–16