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Editors’ Note

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During most of the last two centuries, India, Pakistan, Bangladesh and Sri Lanka were constituents of the British Empire. This large region, which contains a sixth of the world's population today, also had several hundred princely states. But the independence of these states was limited by two conditions, that they could neither impose significant barriers to internal trade and migration via customs or land-use regulation nor raise an army unilaterally. The second condition entailed an implicit guarantee from British India to aid their defence should an attack come from another princely state, effectively subsidizing the defence capability of all. In turn, that clause meant that British India was obliged to keep an enormous land army force, larger than was needed to defend its external borders.

These conditions enabled an unprecedented level of political and market integration within the region, delivering a significant growth in commodity trade, export-oriented businesses like plantations, and internal migration. Externally, the Empire during most of its life imposed a free trade regime on its constituents. This open economic system worked primarily for the benefit of expatriate capitalist interests, but the externalities for the domestic economy and businesses were large, too. A measure of the scale of profit accumulation in the hands of domestic businesses is the emergence of the fourth-largest cotton textile mill industry in the world in Bombay, Ahmedabad and Kanpur, primarily funded by proceeds from the cotton trade, which was controlled by Indians.

Despite these positive developments, the region's average income was low and had changed little in the preceding century when the region became independent (1947-1948). Sri Lanka was an exception to that rule, but mainland South Asia had seen poverty and stagnation grow in the early 20th century. The root of that syndrome was agriculture, where achieving any growth was impossible without significant public investment in water systems, and efforts in that direction had been modest, regional, and slow in the interwar period. The federal and state governments in most of British India struggled

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to raise money for investments, resulting in, among other issues, a patchy infrastructure and low levels of basic education.

To sustain the economic system, the colonial regimes took (or enabled) several soft measures. It controlled currency and exchange, first from London, and from 1935, with a central bank located in Bombay. Legislation on property, contract, company, and negotiated instruments was another area of intervention. Regulating rural credit markets to help poor farmers survive stress was another. Limited form of self-government began in mainland South Asia from the interwar period. When the region became independent, the new nations inherited four main institutions from the colonial regime: the army, central banking and macroeconomic management, the legislature, and an elaborate system of law and judiciary. None compensated for the low levels of investment in the economy, however.

At independence, the new rulers were resolved to change things as quickly as possible. The long run of market dependence ended, the states enlarged in size and investment capability via foreign aid and tax reform, and much investment went into education, agriculture and infrastructure. The state in India did more and pushed for an industrialization model that prioritized «heavy» industry like chemicals, metals, and machines, and regulated capital flows to achieve that. Sri Lanka, Pakistan and Bangladesh shared that dirigiste impulse for shorter periods of time. Throughout South Asia, the dirigiste impulse weakened after the 1990s.

For the economic historian examining the past seventy years, the postcolonial experience presents an intriguing analytical question. Do we see these years essentially as a period when developmentalism dismantled the colonial legacy? Or, were there deeper continuities between the colonial and the postcolonial times sustained, for example, by the persistent power of the inheritances? For many economists who moved into studying these years and who adopted the idea that institutions do persist, the tendency has been to emphasize persistence, if in a piecemeal way (Banerjee and Iyer 2005; Banerjee, Iyer and Somanathan 2005). For others, 1947 and developmentalism represented a structural break that changed almost everything in India (Panagariya 2010; Mody 2023), and made the countries formerly under colonialism follow divergent pathways and become dissimilar (Roy 2016). The truth, as always, must lie between persistence and disruption, but much work needs to be done before we can strike a proper balance. The four papers compiled in this special issue of *Rivista* explore that agenda.

Roy and Swamy investigate the design of laws in newly democratic India to show that rather than a weak democratic system or the vested interests of politicians, it was development strategy that defined continuities and changes. Whereas laws pertaining to agriculture changed slowly, laws pertaining to non-agricultural sectors changed swiftly and in response to prevailing ideas about economic development. Nath's work on cooperatives shows that the prevailing ideas were influenced by colonial era conditions. While India boasts one of the world's largest network of cooperatives, it is widely believed the institution has been plagued by corruption and mismanagement. The newly minted Indian government saw the problem as too little investment in the cooperative network whereas Nath shows that design of the cooperative model in the early 1900s persisted and left a lasting legacy of institutional failure.

Booth and Chaudhary examine the effects of changes in law and policy. Chaudhary finds that targeted policies and public investment strategies to assist malaria control and eradication elongated life expectancy in India during the first three decades after colonial rule ended. Though life expectancy in India was low in the 1970s relative to other developing regions, malaria programmes had a significant impact on the velocity at which life expectancy rose. Booth shows that democratization and economic reforms in the 1970s generated positive results for economic performance in Sri Lanka. While policies, laws and economic outcomes changed in aggregate, Booth highlights that ethnic marginalisation and conflict in independent Sri Lanka were inheritances of the colonial era.

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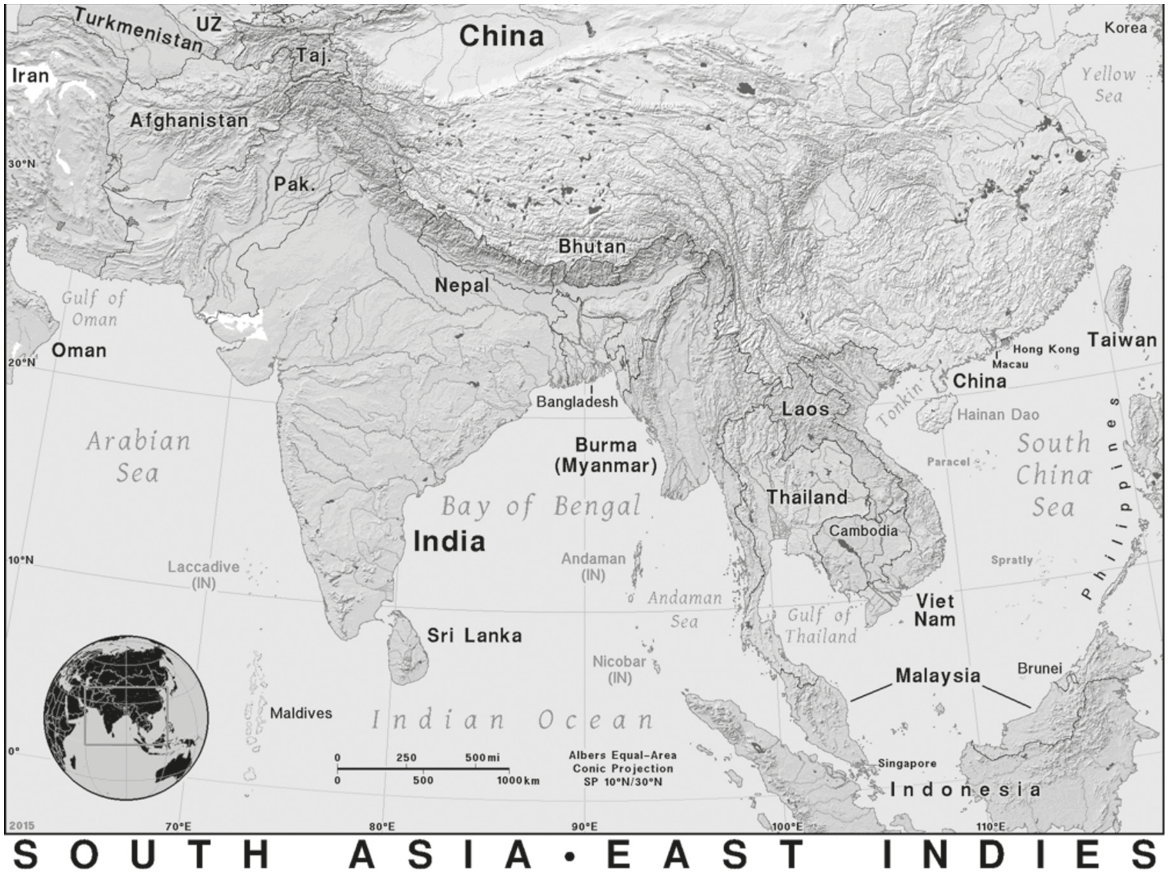
Figure 1. Map. South Asia.



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