As the Company's profits grew, the support they enjoyed from the British government became precarious. Earlier many members of the parliament had 'East Indian' interests, who used the Company's resources to maintain their patronage within the government. But as unprecedented levels of industrialization were achieved in Britain, there was a gradual change in the constitution of the parliament. Adam Smith's book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, heralded a new school of economic thought, which critiqued the idea of companies enjoying exclusive monopolies and lobbied for a government policy of 'free trade' or 'laissez faire'. In a bid to acquire greater control over the Company's earnings, the parliament started attacking individual Company officials with charges of 'misconduct'. The 'Free Traders', dominant in the parliament with the turn into the 19th century, demanded free access to India, which led to the passing of the Charter Act of 1813, thus ending the monopoly enjoyed by the Company in India, while subordinating its territorial possessions to the overall sovereignty of the British crown.

'Free Trade' changed the nature of the Indian colony completely, through a dual strategy. Firstly it threw open Indian markets for the entry of cheap, mass-produced, machine-made British goods, which enjoyed little or almost no tariff restrictions. The passage of expensive, hand-crafted Indian textiles to Britain, which had been very popular there, was however obstructed by prohibitive tariff rates. And secondly British-Indian territory was developed as a source of food stuff and raw material for Britain, which fuelled rapid growth in its manufacturing sector, crucial to the emergence of a powerful capitalist economy. These changes reversed the favourable balance of trade that India had enjoyed earlier. This phase laid the foundations of a classic colonial economy within India through the complex processes of commercialization of agriculture and deindustrialization, which are discussed below.

COMMERCIALIZATION OF AGRICULTURE

It is often believed that the colonial administration encouraged the **commercialization of agriculture** that improved the position of peasants in many areas of the Indian colony. From the 1860s onwards, the nature of agricultural production was determined by the demands of the overseas markets for Indian primary products. The items exported in the first half of the nineteenth century included cash crops like indigo, opium, cotton and silk. Gradually raw jute, food grains, oil seeds and tea replaced indigo and opium. Raw cotton remained the most in demand item. This expansion in cash crop production was accompanied by the building of railways, after 1850, to improve trade networks.

But commercialization seems to have been a forced artificial process that led to very limited growth in the agricultural sector. It led to differentiation within the agricultural sector, but did not create the figure of the 'capitalist landowner' as in Britain. The lack of any simultaneous large scale industrial development meant that accumulated agrarian capital had no viable channels of investment, for it to be converted into industrial capital. Initiatives to expand the productive capacity and organization of agriculture was also a risky proposition, as the sector catered to a distant foreign market with wildly fluctuating prices, while the colonial state provided no protection to agriculturists. Commercialization thus, increased the level of sub-infeudation in the countryside and money was channelised into trade and usury.

The larger part of the profits generated by the export trade went to British business houses, which controlled shipping and insurance industries, besides commission agents, traders and bankers. Those who benefited in the colony were big farmers, some