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‘The economic impact of plague pandemic and policy responses in colonial India, 1896-1929’

The ‘Third Pandemic’ (the Bubonic plague) originating in the Yunnan region of China in the late nineteenth century spread to many countries around the globe. It had a disproportionate impact on British India leading to 12 million deaths during 1896-1929. In this backdrop, this paper attempts to answer two fundamental questions: (1) What were some of the economic impacts of the crisis? and (2) How far was government response effective in alleviating the impact of the pandemic on Indian economy? We use region-wise disaggregated data taken from various issues of Statistical Abstracts of British India. We analyse the economic impact of the pandemic both from supply and demand channels proxied by data on land revenue and income taxes collection. We deploy fixed-effects estimations and find that plague had profound and heterogeneous impacts across different regions in India. We control for the impact of death by other causes including Cholera, Smallpox, Diarrhoea, Respiratory diseases, fever and injuries. Our results are also robust to controls for crises episodes such as the Indian famine of 1899, the Great War, and the liquidity crisis in 1918-20. We also capture heterogeneity between regions under different land tenure systems. In the second part of the paper, we focus on the colonial government's response and find that public expenditures on urban infrastructure improvement, particularly sanitation, were associated with a decline in mortality rates due to the plague. We also discuss that in some cases, like Bombay province, creations of new institutions (e.g. city improvement trusts) helped in mitigating the problems caused by the abysmal living conditions of the urban poor. We also discuss the case of Bombay City Improvement Trust raising financing from the London Stock Exchange. This can provide parallels to recent debates on raising financing for national governments' programmes to support economies in the European Union.