Indira Gandhi National Open University
School of Social Sciences

MHI-107
HISTORY OF INDIAN ECONOMY- 2
C. 1700-2000

"शिक्षा मानव को बन्धनों से मुक्त करती है और आज के युग में तो यह लोकतन्त्र की भावना का आधार भी है। जन्म तथा अन्य कारणों से उत्पन्न जाति एवं वर्गगत विषमताओं को दूर करते हुए मनुष्य को इन सबसे ऊपर उठाती है।"

– इन्दिरा गाँधी

"Education is a liberating force, and in our age it is also a democratising force, cutting across the barriers of caste and class, smoothing out inequalities imposed by birth and other circumstances."

– Indira Gandhi

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SCHOOL OF SOCIAL SCIENCES
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Course Contents

Guidelines for Study of the Course

In this Course we have followed a uniform pattern for presenting the learning material. This starts with an introduction to the Course underlining the significant developments in chronological order and covers **9** major themes with coverage of **27** sub-themes or Units. For the convenience of study, all the Units have been presented with a uniform structure. Introduction, as the first section of the Unit, introduces you to the subject area covered and guides you to the way subject matter is presented. These are followed by the main subject area discussed through sections and sub-sections for ease of comprehension. At the end of each Unit some exercises have been provided. We advise you to attempt these. These will help you assess your study and test your comprehension of the subject studied. At the end of each Unit under Suggested Readings we have also provided a list of books and references. These include sources and books which are useful or have been consulted for developing the material for the concerned Unit. You should try to study them.

COURSE INTRODUCTION

The present Course is a sequel to **MHI-105**. It focusses on India's economic past from the eighteenth century to the current phase of globalisation. The major phases in this transition from medieval to modern were the decline of feudalism in Europe coupled with a rapid increase in trade and commerce, the renaissance and the industrial revolution. Europe achieved a high level of monetisation, emergence of joint stock companies, and corporate banking. European dominance set the pace of exploitation of the major part of the globe by European powers at the highest level. Silver mining in the new World required a huge labour force; transporting slaves from Africa met this demand. Silver thus mined was siphoned off to South Asia in return for textiles and spices.

The eighteenth century marked another turning point. On one hand, European dominance emerged 'uncontested' as the fate of the three Empires dwindled; Asia plunged into the clutches of 'colonial regimes' and was overpowered by 'western capitalism' (**Theme 1)**.

Appropriation of political power by the East India Company is yet another watershed. Indian economy gradually fell prey to British interests. **Theme 2** tells the story of the transformed role of Indian merchants in the new setting. In this context fluctuating fortunes of Surat and Bengal is interesting. If the British domination restricted the take-off, nonetheless the emergence of *bazaar* economy, though subordinate to European dominated world economy, adapted successfully to the changing global economy.

Theme 3 explores the impact of colonial domination in the rural sphere. The transformed land relations intensified rural stratification and class differentiation. **Theme 4** focusses on the repercussions of British colonial government policies on the Indian economy. The conspicuous adverse aspects of the colonial Indian economy include the drain of wealth of Indian resources and the recurrent incidence of famines. Colonial impact was equally felt in the tribal areas inasmuch as the existing structures were disrupted, resulting in conflicts and resistance **(Theme 5)**. **Theme 6** delves into the political dimensions surrounding the generation of census data and other associated demographic concerns.

How far did the colonial rule affect the traditional Indian crafts and industries is the focus of **Theme 7**. De-industrialisation debate occupies centre stage in this context. How far did the reorganisation of production technology influence the production process will be interesting to explore. The twentieth century saw the beginnings of industrialisation in India, although the process remained largely lopsided. Technological advancement and innovations are crucial to industrial development. But to what extent did such diffusion take place and helped the industrial growth is open to question. During the second half of the nineteenth century, the Indian capitalist class emerged. To establish themselves, Indian capitalists had to contend vigorously with colonial policies. **Theme 7** also delves into the challenges faced by the labour class and the phenomena of labour migrations in colonial India. The discussion within **Theme 7** also encompasses the role and contribution of women labour, shedding light on their exploitation in comparison to their efforts to secure better wages.

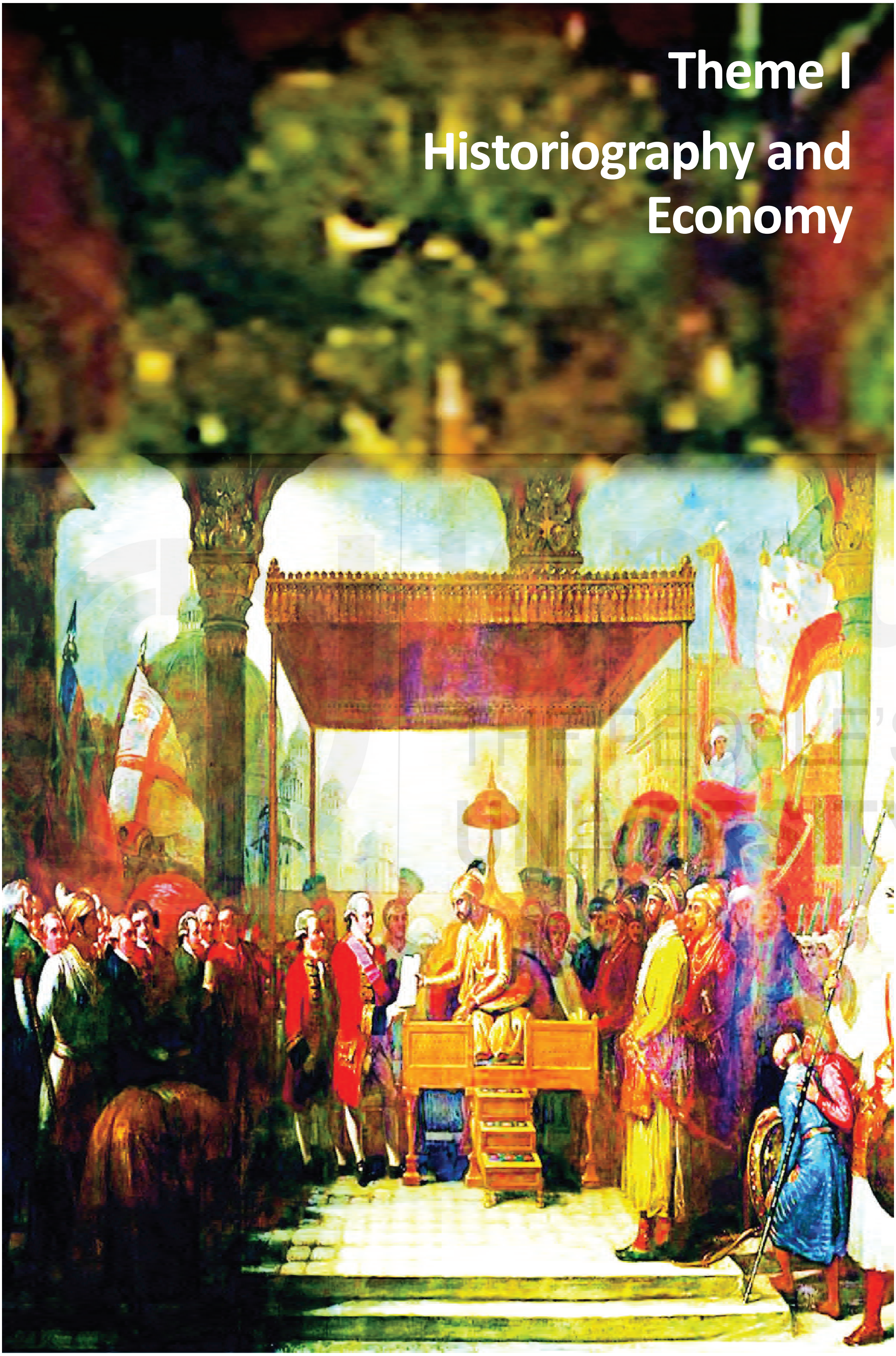
What followed after independence is the subject matter of the last two **Themes 8 & 9.** India since independence has come a long way from planned economy to globalisation. What followed and to what extent these policies were successful and how far globalisation of Indian economy is relevant, are questions addressed in concluding the course.

In the Course diverse, often even conflicting viewpoints, debates, etc. have been retained to bring home to you that the discipline of history does not provide, indeed, does not even look for final, conclusive answers. Constant questioning of views and theories, one's own as much as others' lies at the heart of the growth of the discipline, provided certain principles of research are abided by. We have tried to be balanced in our approach as far as possible and our attempt is also to provide equal space to both North and South. However, at times the equilibrium bends in favour of the north, partly because of the differential amount of information and in part owing to the authors' unequal access to it. You may at times find some 'repetition' in the Units. But it is used more as a 'tool' to 'recapitulate'. At times it is also retained to provide the flow of an argument. 'Political markers' and boundaries of 'ancient', 'medieval' and 'modern', you will find, are not always relevant to the story of economic rhythms, though their relevance as interplay of continuity and change cannot be completely ignored. In sum, what you have in this Course, is a finished product only in part; the next in line are the uncertainties and gaps in our knowledge but also the directions in which knowledge building is proceeding.

Note: In the entire course BCE (Before Common Era) and CE (Common Era) are used in place of BC and AD to denote the dates and eras.

Theme I

Historiography and Economy



HISTORIOGRAPHY AND ECONOMY

The present **Theme** takes us through the many bylanes of the raging debates among historians on the eighteenth century in Indian history. Suddenly, all the existing notions about this century – that it was a century of political, economic, moral and cultural decay – appear suspect. Instead an extremely variegated, multi-hued picture emerges which defies a single characterisation. That makes it the historian's truly dream century. ((**Unit 1**)

Unit 2 traces the historiographical trends beginning with the colonial perception of Indian economy. While the colonialists defended the British policies; nationalists held colonial rule responsible for impoverishment of India. Marxists were equally critical of the British policies and held them responsible for drain of wealth from India. All these debates find place in **Unit 2**. The Unit also takes into account the new issues covered in recent writings – forests, labour, women, tribal societies, irrigation, etc.

Grant of *Diwani* Rights by Shah Alam to Lord Clive, 1765
Image Courtesy
Author : Benjamin West (1738-1820)
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UNIT 1 THE EIGHTEENTH CENTURY IN INDIAN HISTORY*

Structure

1.1 INTRODUCTION

For the people of India, the eighteenth century appeared as an age of dissolving certainties. Never in its history had the Mughal Empire appeared so vulnerable. Its citadels were being buffeted by Afghan marauders (Nadir Shah, 1739 and Ahmad Shah Abdali, 1748-1767), Maratha adventurers (the Peshwas) and various warrior-peasant groups (Jats, Rohillas, and the Sikhs), while its military-bureaucratic apparatus (the ***mansabdari* system**), which had been its pride and mainstay stood by helplessly. The fiscal system had also broken down, thereby threatening the life-styles of a genteel, highly urbane class of people and their dependants. The empire was bankrupt and all semblance of political governance and fiscal probity had apparently disappeared. And this was not all. The worst possible ignominies had been heaped on the house of Timur: two emperors, Ahmad Shah (1748-1754) and Shah Alam II (1759-1816) were blinded, and another, Alamgir II (1754-1759) was assassinated by nobles engaged in bitter factional feuds.

The speed with which this happened was bewildering. In 1700 the Mughal Empire under Aurungzeb was at its territorial zenith. Yet by the 1730s of the century many of its core areas had been fragmented into numerous regional polities. While some of these, like the Nawabi of Awadh or the Nizamat in Bengal, took roots as 'successor' regimes, others, like the Marathas or the Jats, emerged on the basis of their sustained and often violent opposition to the Mughal empire. A further thirty years down, the political fortunes of India were clearly moving in a different direction. A European power, the British East India Company, had succeeded in conquering much of eastern India and had begun to exercise a decisive influence on the state of affairs in other parts of the subcontinent. On the basis of these successful political ventures, the Company was slowly but inexorably creating the bases of an early-colonial system of rule. No wonder, contemporaries amazed at the intensity of the disturbances around them thought that this was an age when their world was being turned upside down.

Given the nature of these changes, the eighteenth century has attracted the attention of a number of modern historians and has gradually emerged as the hub of a lively debate. Because of this, the historiography of this century has seen some very innovative advances. While interpretations differ sharply on many aspects, there are a few areas of unanimity. The older interpretation that the decline of the Mughal Empire was a result of Aurungzeb's religious bigotry has been comprehensively rejected. If Aurungzeb faced opposition from the Marathas, the Jats and some Rajput clans, he was equally troubled by recalcitrant

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Muslim nobles and officials who were instrumental in leading the factional struggles in the imperial court, and powerful Rajput ruling houses continued to be loyal to the empire.

The earlier stereotype that this was a century of moral decadence and cultural decay has also been rejected. Attention is now drawn to the robust and dynamic cultural life of the regional states, many of whom carried the legacies of high Mughal culture and blended these with the rich cultural heritage of the regions. Lucknow and Hyderabad had emerged as centres of literary and cultural patronage thus becoming the hubs of remarkable cultural efflorescence. Eighteenth century Banaras emerged as a great centre of banking and commerce in north India and combined this with its unique position as a centre of religion, education and pilgrimage. In Bengal, Nadia was the centre of Sanskrit learning and Dayabhaga that of Hindu law, and Bishnupur became the place where elaborate regional architectural and musical styles grew and flourished. In the south, Tanjore, under the patronage of its Maratha rulers, became a vibrant centre in the fields of religion, music and dance.

Thus historians now view the decline of the Mughal Empire and its aftermath not as a result of religious bigotry or the weakness of individual rulers but as a structural process: as a systemic rather than the personal failure of an individual. But sharp differences nevertheless remain about the causes and nature of this systemic failure. Opinions are divided between those who view the decline as a result of an economic crisis engendered by an over-exploitative ruling class and those who see the entire process as a process of local resurgence fuelled by a long-term process of economic growth. There are also differing interpretations of the changing relationships between state and society, the patterns and processes of economic growth, and the consequences of the tussle between the empire and the localities over the distribution of the fruits of this growth.

But the eighteenth century was not limited to the decline of the Mughal Empire and the consolidation of regional state systems. Much more fundamental changes were occurring in the subcontinent from the middle of the century, and these have understandably attracted the attention of a large number of historians with widely discordant voices. The areas of debate are centred around, first, the reasons of the transition of the Company from a commercial to a political entity; secondly, the roots of colonialism in India, whether it was a purely exogenous process, or did it have local, that is, indigenous roots; and thirdly, what was the nature of its social and economic impact. Implicated in these are questions of continuities and changes and the relative position and importance of each in the new colonial order.

1.2 THE EIGHTEENTH CENTURY: SALIENT FEATURES

In order to understand the broad processes at work, and to make sense of the immense range of issues thrown up by the differing points of view, it is worth keeping in mind the following salient features of this century.

First, the eighteenth century witnessed two transitions. One occurred with the parcellisation of the Mughal Empire into regional, and even sub-regional, political entities. The genesis of this transition lay in the crisis of the empire and its subsequent disintegration. While this mainly involved the redistribution of political power among regional social groups, the other transition went much deeper. This occurred towards the middle of the century and was unleashed by the political ascendancy of the British East India Company after the battles of Plassey (1757) and Buxar (1763). Involved in this were some new developments, the most important being the transformation of an overseas trading organization, the East India Company, into a ruling power in India, and the use of this political supremacy for military and commercial purposes.

Second, in order to fathom its full implications historians are beginning to look upon the eighteenth century as a 'long' century. Recent interpretations tend to see the political dynamics of this century beginning to unfold in the 1680s amidst the fragmentation of the Mughal Empire. By the 1720s the aftershocks of the disintegration had been absorbed by the stable regional polities which had emerged in most parts. From the 1750s major political realignments had started occurring under the growing hegemony of the Company. This process continued till the 1820s by which time all major indigenous regimes had been either annexed or had become subsidiary allies of the Company. Thus in terms of its political significance the eighteenth century encompassed the last two decades of the seventeenth and the first three decades of the nineteenth centuries. From the economic perspective too a 'long' view is a worthwhile one. There is now substantial evidence to show that political regeneration in the provinces was accompanied by regional economic reorientation. While some places declined, economic growth occurred in other areas and this was spearheaded by local landed and commercial classes; and compared to a prevalent view which stresses economic dislocation from the middle of the century, recent research shows that despite the pressures being imposed on indigenous structures by the ascendancy of the Company, prospects of economic growth were not abruptly closed. Even in Bengal, where the Company's regime was at its most intrusive, commercial and agricultural expansion continued though in somewhat modified forms. Such was the situation till first two decades of the nineteenth century, when by all accounts the slow growth of the eighteenth century was coming to an end.

A **third** meaningful perspective, which has been of a recent vintage, is to see the relationship between the Indian economy and the global economy. The Indian Ocean was part of an elaborate commercial network with the Atlantic and the Pacific, and it was the increasing Europeanisation of early modern trade that set the tone and the future of India's commercial life in the eighteenth century. In its long engagement with this commerce, the Indian side had always provided goods and the services, but under conditions of demand which were mediated by the global networks of European commerce. The profits were significant from the Indian point of view, and much wealth flowed into India through this channel. From the perspective of understanding the eighteenth century, these developments are significant. A substantial part of the problem of continuity between the Mughal and post-Mughal and from there to the early-colonial can be understood if one remembers that Indian commercial life and merchant capital was deployed in the service of wider networks of connections whose impulses were determined as much as from Africa, South-east Asia and Europe as they were from Agra and Delhi. The early-colonial intervention deepened this incorporation. One instance of this was transformation in the networks of the intra-Asian trade in the middle of the eighteenth century when the earlier linkages between India and west Asia were now redirected towards east and south-east Asia under the directions of British commerce. Since the eighteenth century was period of global economic expansion (compared to the seventeenth century which is commonly recognized a period of crisis), and since India's overseas trade also increased phenomenally in this period, any view which sees the eighteenth century only as a period of economic disjuncture or crisis is a questionable one.

1.3 THE 18TH CENTURY DEBATE

Given the rapidity and the significance of the changes which occurred in the 18th century, it is natural that there are differing interpretations of almost every issue involved. Broadly, the debate follows the traditional division of this century into two halves and the protagonists of different points of view can be divided into two broad groups. For the period up to 1750 one can divide them into those who hold an empire-centric view and those who hold a region-centric view. For the period after 1750, the views can be held to broadly conform to the Indianist and Europeansist positions. In other words, for the first half of the 18th century, there are historians whose view of the 18th century is based on the centrality of the Mughal Empire and its institutions in the workings of the society and economy of the country. In this view the decline had catastrophic results. While the extreme edge of this view would interpret the decline as one of political chaos and anarchy, recent interpretations see it more in terms of a structural collapse but with very little positive emerging from the rubble. The regional formations, which succeeded the empire, are ascribed with little potential for improving their performances beyond the levels already achieved as Mughal provinces, whereas oppositional movements like the Jats, Sikhs and Marathas are considered nothing more than predatory-formations with very little positive to speak for them.

In contrast are those who view the developments from the perspective of the provinces and localities. Instead of giving the empire a superordinate role, as is done in the empire-centric perspective, the region-centric approach focuses on how social groups inhabiting different areas of the empire became active agents in determining the course of the political and economic trajectories for their own ends. At one level, the structures of Mughal provincial government was fundamentally transformed which led to the creation of autonomous kingdoms in Bengal, Awadh and Hyderabad. At another level there arose those polities, like the Marathas and Sikhs, whose genesis lay in opposition to the Mughals, but who, ironically, created political systems within the imperial domains which also made use of many of the administrative methods of the Mughals. All these modified provincial authorities gave the erstwhile Mughal grandees new opportunities to deepen their hold on power in the regions, and in addition, their clients and family members were also able to amass large bundles of proprietary rights and rights to farm revenue from the state which in course of time became hereditary estates. A process of commercial growth in the regions underpinned all this.

For the post-1750 situation, the Europeanist explanation gives primacy of place to the ascendancy of a triumphant, expansionist Europe (especially Britain) defeating an India in chaos and disarray. This is by far the most dominant view amongst Indian nationalist and Marxist historians, and provides the foremost historical perspective on the roots of India's economic backwardness. The nationalist view overwhelmingly has been to see the anarchy in eighteenth century India as a momentary but catastrophic lapse in an otherwise unfolding saga of nation building in India's history which allowed a foreign power to conquer and to colonise the country. While the more traditional Marxist view was to see the rise of British rule as a necessary evil as it ended much of the 'feudal' disintegration of society in the eighteenth century, more recent variants see it as a system relentlessly driven by the search for profits, commodities and markets, with no 'progressive' aspects to its credit. But some common assumptions are embedded in both historiographical perspectives as far as the eighteenth century is concerned. The first is the assumption shared by both that order and stability could exist only in large, pan-Indian political structures; and since this disappeared in the eighteenth century, it was a period of chaos, anarchy and decline. The second commonly shared ground is that of discontinuity. Both see British rule as a fundamental disjuncture: a completely foreign and alien system of domination, totally removed from the traditions of Indian governance or culture.

On the other hand, the Indianist perspective tries to adopt a more differentiated perspective of this transition to colonialism. The rise of the British power is seen not as a one-sided process of conquest and subjugation, but also as a result of Europe's (especially Britain's) deep engagement with India over a long period. Instead of a forced grafting of a foreign regime on Indian soil, the emphasis is on the way in which conditions in Indian society determined the emergence and form of British India. In this argument, the shape of British rule in India was determined as much by the metropolitan interests as it was by Indian agency. Instead of seeing the eighteenth century as a period of unchecked anarchy, the Indianist perspective devotes great attention to the political stability imparted by the 'successor' states of the Mughal Empire. Instead of seeing a picture of economic regression in the disintegration of the empire, the Indianist view is that India's commercial and military sophistication continued in the eighteenth century and the Company used this to its advantage. While there was strong indigenous resistance to this intrusion, Indian agency was a vital ingredient in ensuring the ultimate success of British rule in India. British rule was based on Indian norms of governance, modes of agro-commercial management and the skills of its human resources, but it successfully modified these for its own purposes. Thus in the Indianist view, the eighteenth century was not a century of ruptures, but a century of deep continuities in which past institutions and structures continued albeit in substantially redeployed forms in the midst of vastly expanding commercial opportunities. Those subscribing to this view are often infelicitously referred to as the 'Cambridge School' as many of the protagonsists are situated in North America and a number of Indian historians also share this perspective. However, together they constitute what is commonly referred to as 'revisionist' historians.

1.4 THE MUGHAL EMPIRE, ITS DECLINE AND THE GENESIS OF THE EIGHTEENTH CENTURY

Much has been written about the decline of the Mughal Empire. As stated earlier, theories of moral turpitude, weak rulers and communal policies need not be taken seriously as they are empirically unsustainable. Later Mughal emperors, for example Farrukh Siyar, tried in their own way to stem the rot. There is no evidence to suggest that these emperors abdicated their responsibilities, but events were moving too fast for a single person to handle. The other theories focus on a rapidly disintegrating structure, a severe crisis in the Empire's fiscal and ***jagirdari* systems**, which severely compromised the institutions of governance. This has been written about extensively and Irfan Habib's arguments have been the most influential. For Habib, while the capacity of the economy to expand was self-limiting, there was an unrestrained tendency of the Mughal fiscal system to appropriate greater and greater amounts of the peasants' surplus. This sparked off a tri-polar confrontation between the imperial ruling class, the hereditary land holding classes (the *zamindars*) and peasants, which soon went beyond the capacity of the system to contain or control. Satish Chandra provided important reason when he explained the empire's demise in the inability of state functionaries to ensure the desired efficiency of the assignment (*jagir*) system, thus leading to intense factional struggles. In a similar vein Athar Ali saw the crisis as a result of a growing shortage of *jagirs* and the inability of the system to accommodate the growing number of aspirants to the assignment system in the aftermath of Aurungzeb's Deccan campaigns. However, an important corrective to this was provided by John Richards who showed that *be-jagiri* (*jagir*-less) wasn't a problem in the Deccan as it was not a deficit area, but it was the larger failure to devise a viable system of accommodating local elites in the Deccan which was proving to be the Empire's major drawback in the Deccan. In this view, the crisis arose because of an imperfect imperial consolidation, visible in the failure of the state to effectively incorporate the local agrarian elite, thereby creating deep fissures in the empire.

An interesting argument made by Marshall Hodgson is that the three Islamic empires – the Ottoman, the Safavid and the Mughal – were successful not because of their adherence to a single formal religion, but because of their successful control over the deployment of gunpowder, and the reason why they atrophied or failed ultimately was because of their inability to keep up with the changing technologies of warfare that were happening in the western hemisphere. Can this be applied to the Indian case? Recently, Iqtidar Alam Khan has drawn our attention to the simultaneous correspondence between gunpowder, centralization and resistance: while access to muskets, cannons and gunpowder strengthened the sinews of imperial power, these were simultaneously used by its more powerful subjects to arm themselves and to resist the intrusion of the state. It was logistically impossible to prevent such crucial technology from percolating downwards. Therefore, any notion of the state's exclusive control over firepower as a prescription of its success tends to break down as ***zamindars***, ***chaudhuris***, and dominant-peasant groups controlled large numbers of armed militia. The Marathas, the Sikhs and the Jats used muskets, as did most other rural-magnates. One must also remember that these people enjoyed various traditional rights and perquisites because of their social/caste standing in the countryside. This made them capable of drawing additional human resources to augment their military strength if necessary, which they did regularly. Though the Mughal army controlled a great amount of military hardware, as a collectivity the local magnates were always a serious military threat, especially considering their strategic location in the countryside. By the eighteenth century the terms of reference between the state and rural magnates, as far as military technology was concerned had equalized because of the concerted upsurge in the countryside. Stewart Gordon has shown how the Marathas were successful in tapping into a vast and heterogeneous military labour market, including the one being provided by Europeans, in the eighteenth century.

Therefore, in order to understand the process of Mughal decline one has to take both a long-term view and a conjunctural view. The long-term view is that the Mughal Empire provided a number of institutions ostensibly to centralize power, but unfortunately those led to periodic crises in institutional and fiscal arrangements of the empire, which the Mughals were unable to sort out effectively. Some examples of this are the inability of the state to affect parity between assessment of revenue (the *jama*) and what was actually collected (the *hasil*), or its failure to prevent transmission losses of up to 20 percent of its revenue from the countryside. There was also the more structural inability of the empire between a set of enduring systems between the agrarian elite and the state. Both existed in a state of perennial contradiction. Of course, there were instances of rapprochements between the two. For example, there was the so-called Rajput policy of Akbar; but even this did not cover the whole of Rajputana or the entire grid of Rajput clans, nor was it able to contain a potent source of political friction. This was further aggravated by the inability of the state to strike out workable (consensual) arrangements with a myriad of small *zamindars* scattered even in the heartland of the empire as well as all over the country, and this accentuated problems. *Mawasat* and *zor-talab* (perennially refractory areas) thus existed cheek by jowl with *sir-i hasil* lands. These were the long-term structural problems.

The conjunctural problem assumed the form of the Deccan crisis, and the sustained oppositional movements of the Jats and the Mewatis in the north India, particularly in the Ganga-Yamuna *Doab*, and of the Sikhs in the Punjab. Other places, like eastern India, where great commercial advances had taken place in the seventeenth century, there was the difficulty of getting adequate tribute as *zamindars* had been able to use a slack revenue system to their advantage. Though this did not cause political instability, it accentuated the financial problems of the empire. This was accompanied by the convergent crisis in two other Asiatic empires which disrupted the established and highly profitable commercial linkages between India and west Asia. In fact in one influential explanation of the economic problems being faced by the great Mughal port of Surat is ascribed to the crisis of these empires.

The conjunctural crises intensified the long-term conflicts between the imperial imperative and the local imperative and brought the empire to its knees.

What is being suggested here is that to understand the endogenous processes of centralization, decentralization, and crisis in the Mughal Empire, the constantly changing and negotiated relationship between the centre and the localities, and the perpetual tensions between the imperial ruling class and the local magnates, have to be kept in mind. These relationships were never fixed at the dictates of the state; they were constantly changing and unfolding. The analysis of the Mughal Empire as an establishment of negotiated political relationships means that there was greater flux in its interstices, and this fluidity allowed for a greater constellation of social groups in different parts of the empire and this explains the various social configurations in different parts of the empire. Studying the empire in terms of the fluidity of the relationship between the centre and the provinces allows us to understand articulation between the regions and the centre. The more the empire tried to centralize, the gainers were the regional groups, which latched on to this process of centralization and benefited from it. As the empire generated enormous wealth through its revenue mechanisms, the tussle between its maximization and the attempts to retaining larger and larger proportions of this wealth in the localities grew stronger.

1.5 THE PROCESS OF REGIONALIZATION

If one adopts a region-centric perspective, alternative versions of the empire and its collapse begin to emerge. Even in the Persian language sources, there are possibilities of reading more decentralized and vulnerable versions of the empire. For example, Andre Wink's advances the notion of *fitna* to argue that the system was constantly being subverted from within, and that there were forces of factionalism and centrifugalism constantly pulling away from the centre. Stephen Blake's description of the Mughal system as a 'patrimonial-bureaucratic' edifice is another such variant reading. What this means is that the Mughals were always walking a tightrope while attempting to balance an elaborately personalized style of rule (the patrimonial) with a highly militarized and centralized vision of the empire. This created a peculiar contradiction, and as M.N. Pearson has argued, the Mughals failed to bridge the gap between a paternalistic, highly personalized form of government and its military aspirations; that while trying to be militarily effective it was not able to carve out a system of rule based on an autonomous military-bureaucratic system. Muzaffar Alam also shows how the imperial process was continuously being subverted by the aims and aspirations of the local *gentry* constantly attempting to consolidate themselves at the expense of the imperial ruling class.

What we now see is a whole range of pressures pulling away from the Mughal state: these ranged from factions at the centre to the independent consolidation of the local and regional elite. The nature of the elite was not the same everywhere. While in Awadh such people belonged to the upper echelons of the social system (the *ashraf*), elsewhere they could include more 'subaltern' elements like the Jat peasantry in the Punjab or the Sadgop *zamindaris* on the fringes of the settled zones in Bengal. Merchants and bankers played a crucial role in underwriting them for a consideration. It is this diversity which appears as a striking feature of the newly constituted regional elite in the eighteenth, thus giving us a picture of a system buffeted by multi-polar tensions. The crisis now can be seen as the one created by resurgent aspirations of groups below composed of what C.A. Bayly has described as 'many types of military, merchant and political entrepreneurs' all coming together to 'capitalise on the buoyant trade and production of the Mughal realm'. This resurgence did not mean a decline; it meant the social displacement at the top combined with the replacement of some institutions and the reconstitution of others.

The basic point is that seeds of change germinated within the Mughal institutions themselves. Paradoxically, the institutions of centralization generated their own counter-tendencies. Much of the process of regionalization can be explained by the consolidation of the imperial elite who took advantage of the disintegrating *jagirdari-mansabdari* complex for their own purposes. Similar tendencies were at work in the *zamindari* system too. While the Mughals sought to make the *zamindars* work as intermediaries in their land revenue administration, these local elites, highly armed and ruling over substantial domains like petty kings, generated alternative, localized, sub-imperialisms. Also recent researches, particularly in the Mughal provinces of Awadh and Bengal, have done much to revise the older views of *zamindars* as a class of rural exploiters. On the contrary, they were active agents in local economies as financiers, entrepreneurs and consumers. They financed agricultural reclamation, set up markets and traded, and consumed in cash. Their retainers became a sub-elite between them and the peasants, as they were usually given prebends, which they used to extend small zones of high-value consumption in the countryside. They thus rose in rebellion to defend the fruits of their prosperity from the intrusive pressures of state fiscalism. These in turn were used by the provincial satraps to enhance their powers vis-à-vis the centre. In Awadh, the provincial *subahdar* enhanced his power by using such agrarian disturbances as a bargaining counter against the centre. In Bengal, the *subahdar* used the pressing financial needs of the empire and the recalcitrance of some local *zamindars* to augment his power base.

Recent studies of the political processes in eighteenth century have indicated the growth of three types of regimes. First, there were those that replicated the former imperial structures. Ruling these 'successor' states that nominal Mughal governorships: the nawabs of the Deccan, Awadh, and Bengal who tended to perpetuate Mughal forms and practices. The second types of regimes were the polities whose origins were independent of the Mughal Empire. These were the Maratha, the Jat and the Sikh regimes, whose crystallization established new systems, thus representing a real and persistent danger to the Mughal Empire. The third political complex was extremely significant. This comprised many local principalities of Muslim, Hindu or tribal origin located in the frontiers of the semi-autonomous states. As burgeoning Jat *zamindars* began to push them out of the Ganga-Yamuna *Doab*, Rajput clans began establishing petty- kingdoms from Gujarat in the west to Awadh in the north through a process of conquest, migration and settlement. In Rohilkhand and Bhopal, Afghan chiefdoms were established by an innovative combination of conquest, revenue farming and trading with the northwest frontier. Agricultural colonization, revenue farming and commercial dealings were also instrumental in the consolidation of the Banaras Raj and the great *zamindari* households of Burdwan or Qasimbazar in Bengal. On the northeast frontier of India Mughal expansion was stopped in the 1680s by the Ahom dynasty that maintained an independent Assam under a Hindu tradition of kingship until the British annexed it in the early nineteenth century.

In the south, while the really great royalist concentration occurred only from the 1760s in Mysore, the situation before that, as David Ludden shows, was characterised by petty kingdoms being formed by the Telugu-speaking *nayakas*, who had been subordinate to Vijayanagar and had established their autonomy on its downfall, or from *palayakkarans* (poligars) who managed to carve out small domains from the territory of the *nayakas*, based on temples and a highly militarised population. On the Malabar coast, the situation was an uneasy alliance between the coastal kingdoms and the land-owning households held together by a mutual sharing of profits from trade, land and labour. An intrusive monarchical system was introduced in this region only after the invasion by the aggressive Mysore state under Haidar Ali and Tipu Sultan.

1.6 HOW 'MUGHAL' WERE THESE REGIMES?

Recent studies of regional government and administration have shown that the political changes in north India in the first half of the eighteenth century denoted no sudden deviation from the established Mughal pattern of politics in the regions. Some of the developments which led to the transformation of the Mughal provinces of Bengal, Hyderabad and Awadh into virtually autonomous kingdoms can be traced back to the end of Aurangzeb's reign and together represented a long-term process of change towards a regional fragmentation of power. The rulers of successor states who were nominal Mughal governors, the Nawabs of the Deccan, Awadh, and Bengal, naturally transplanted many of the cultural idioms of the imperial court to their new capitals. These regimes tended to utilise Mughal forms and practices of governance. Even the Nawabs of Arcot, whose rule was propped-up by the support they could garner from the English, was introducing Mughal principles of administration for the first time in this region. The Marathas, who claimed sovereign rights for themselves in their territories, nevertheless collected revenue on Mughal principles, even if they used different names for their officials. Although the Sikhs developed distinct community institutions like the *khalsa*, which were strongly opposed to Mughal claims, they still collected revenue on Mughal principles and alienated large blocks of land in Mughal-style *jagirs*. Persian remained the official language of diplomacy, of high-level administration, and of high culture in each of these regimes.

Yet there were major differences. Though these regimes replicated Mughal institutions in their own territories they were not regionalised prototypes of Mughal rule. They used Mughal norms but only to a very limited extent and in highly redeployed forms. There were many specific differences.

First, though many of the larger provincial regimes (the *nawabis*) were established by Mughal grandees, they were highly suspicious of that very institution on whose back they had ridden to power, namely, the *jagirdari* system. Each of the *subahdars* (governors) therefore either broke with its essentials, or modified it enormously to suit his designs. In Bengal, Murshid Quli Khan resumed all imperial *jagirs* and transferred the holders to Orissa. In Awadh, the structure of the *jagirdari* system was maintained, but large *jagirdaris* were broken-up and reallocated among smaller assignees and the *nawabs* maintained close control over *jagirdari* officials (the *amils*, revenue collectors). In Hyderabad the power of *jagirdars* were curtailed by the appointment of officials like the *daftardars* (record keepers) and ***taaluqdars*** who were directly under the control of the Nawab himself. Secondly, the Mughal practice of separating the executive and fiscal powers of different office-holders in the provinces was henceforth broken. Murshid Quli Khan appropriated the dual functions of the *diwan* and *subahdar*, as did Asaf Jah in the Deccan, while in Awadh, Burhan-ul Mulk combined the high offices of *subahdari* and *faujdari* (commandant).

The **second** major difference lay in the sphere of fiscal management, and this was ubiquitously widespread notwithstanding the difference in the size of the regime. While the central financial prop of these regimes was the assessment and collection of the land-tax in cash, the management and its execution was given over to revenue-farmers (*ijaradari*) in preference to paid officials or landed intermediaries. The practice of *ijaradari*, thoroughly disapproved by the Mughals, exploded all over India in the eighteenth century. The ambits of tax-farms were extended beyond *mal* (land-revenue) to include *sair* (non-agricultural) taxes as well as various types of public offices and positions. Though the conventional view of historians has been to see *ijaradari* as a ruinous expedient, the evidence on which this view is based is far from conclusive. In Rajasthan, where Dilbagh Singh has extensively studied the spread of this system, an *ijara* contract was reckoned not on the assessed revenue (*jama*, which was often unrealistic) but on the basis of the actual collections (*hasil*) of the previous five to seven years. This would provide an in-built check on rack-renting though there were bound to be loopholes in the system. Studies of Awadh and Banaras have shown that *ijaradari* raised revenue and ensured a higher return for the state while minimizing its administrative overheads. It also provided the scope for a diverse range of people to become implicated in the interstices of the state's fiscal system. Successful *zamindars* could extend their holdings by farming extra land and people with money developed a stake in agrarian management, either by taking on farms themselves or, as was the more common practice, by advancing money to those who did. Revenue farming seems to have expanded in a big way in the Coromandel from the middle of the century, with the 'landed and military gentry' taking the lead in bidding for such farms.

This introduces the **third** element of difference between the Mughal system and the new ones. In all the regional polities, irrespective of their size or geographical location, there developed an extremely close nexus between the state and people with money at their disposal. According to Karen Leonard, the period of imperial decline coincided with the increasing involvement of banking firms in revenue collection at regional and local levels. This involvement increased in the first half of the eighteenth century. By 1750 bankers were the ones who controlled access to the actual collection of land revenue, through provision of credit or cash. They provided the funds that enabled people to become tax farmers and had their own agents into the countryside to collect from the land given to them as security or mortgage. Throughout India the richest merchants and bankers were gaining a stake in the new political order, and in several of the smaller eighteenth-century states trader-bankers had become the key political group by the 1760s. In the larger states, like Bengal, individual merchants were given monopoly rights over commodities like salt and saltpetre and wielded political authority in the saltpetre districts. Why did this reorientation occur? Stable regional centres began to attract banking capital. Bankers migrated from the Mughal core to places like Farrukabad, Lucknow, Murshidabad, Patna and Banaras where they began extending credit to rulers and *ijaradars* (revenue farmers) and guaranteed the remittance of revenue from where it was collected by bill of exchange to the ruler's capital or wherever else it was needed. In areas characterised by political instability like Gujarat, Rajasthan or the western Deccan, merchants quickly found alternative avenues of investment and patronage. The vulnerability of the Mughals against the Marathas led merchants and bankers to migrate from Surat to other cities. Many shifted to Poona, the capital of the Peshwas and to other cities, like Baroda, in the Maratha Confederacy. Credit transactions were quickly extended to the European companies, particularly to the English, who were emerging as major players in the regional politics of this period.

The **fourth** area of difference was the gradual but steady insinuation of the European, especially British, element in the fabric of Indian political life. This was an important development, whose implications have constituted one of the principal concerns of the Indianist reading of the eighteenth century. Instead of being a great disjuncture, the logic of the events of the middle of the eighteenth century can only be understood as part of a long pre-history of the interface between Europe and India. Though based primarily in commercial transactions, Indian rulers were no strangers to the skills of the Europeans in land warfare as well as at sea. Numerous Europeans were employed in the artillery wing and in the armouries of Mughal armies. During the eighteenth century the situation began to change as many of the larger regional polities began developing massed infantry drilled and armed in the European fashion with European technical and logistical expertise, and

Europeans, as P.J. Marshall, says, began to 'infiltrate regimes that were willing to hire services for cash'.

Its full manifestation occurred in the 1740s. As the tussle between the Nawab of Carnatic Anwaruddin Khan and his son Muhammad Ali Wallajah, on the one hand, and the Deccani Navaiyitis, a major administrative family led by Chanda Sahib, flared up in 1740s, the British and the French became drawn into the politics of regional state formation. The British supported the Wallajah of Arcot, the French propped up Chanda Sahib. British troops were also hired out to the Wallajah to enable him to consolidate his control over the southern Poligars and even in an abortive attempt to procure for him the very rich lands of Tanjore. Chanda Sahib was defeated and killed in 1752. By 1763, British naval supremacy and financial clout had become virtually unassailable in the Carnatic. In return for their services, the British were rewarded with leases of revenue from enormously productive tracts of land (called 'subsidies') and allowed to station their military garrisons in the lands of the Nawab. Equally significant was another dimension of this relationship. British personnel in Madras privately loaned enormous sums of money to the Nawab: money which was borrowed in turn from Indian and European investors, thereby giving rise to, what Bayly describes as 'a paradox typical of eighteenth-century India' in which 'indigenous capital penetrated into the emerging Muslim state system through the good offices of British speculators'.

1.7 THE ECONOMY OF THE EIGHTEENTH CENTURY

Two problems have engaged much of the debate on the economy of eighteenth century India. The first is the economic context in which such diverse patterns of regionalization took place, or whether the processes of regionalization were symptoms of economic expansion, crisis or stasis? The second concerns the state of the economy in the early-colonial transition.

The creation of post-Mughal polities wasn't always a smooth process. From the descriptions contained in contemporary literature, the impression one gets is that of a serious breakdown, anarchy and economic uncertainty. But some of it appears to be exaggerated. The transitions in Bengal and Awadh were largely peaceful, though serious disruptions occurred in the Punjab and the eastern Deccan. Most serious accusations were levied against the Marathas. Their armies ravaged the rich commercial province of Gujarat in the early parts of the century, followed by plundering raids into eastern India in the 1740s and Rajasthan in the late eighteenth century. But whether these, and other instances of temporary dislocations were enough to cause a serious reversal from the levels of prosperity in the seventeenth century is a debatable issue. As Stewart Gordon's study of Malwa shows, once conquest had been completed and Maratha rule was secure, effective administration and a regulated revenue demand on Mughal principles was installed. Agriculture was encouraged and trade revived. The domains of leaders like Sindhia, the Gaekwads or the Bhonsles supported powerful armies sustained by effectively administered revenue systems by the late eighteenth century. Elsewhere too the situation was mixed. Punjab was clearly beginning to recover from its travails in the late eighteenth century, whereas Rajasthan, whose economic problems began at that time, was thriving during the process of the Empire's disintegration. Stable regimes had also been formed in Rohilkhand, Farrukhabad and in Banaras. Expansionism was ingrained in many of these regimes. Awadh managed to usurp vast territories from the Afghans of Rohilkhand. In the south, Mysore under the Sultans annexed most of the Malabar coast, and Arcot spread along the south-eastern coast to grab the domains of the southern *Nayakas*. Such a differentiated process of political formation does not support notions of the decline of the Mughal Empire as an unmitigated economic disaster.

Emergence of New Town Centres

Given the absence of concrete indicators of growth, it is very difficult to clinch an argument either way, but some broad parameters can be considered. Though the economy continued to be predominantly agricultural, the levels of urban growth seemed to have expanded not declined in the eighteenth century. Contemporaries lamented the decline of Shahjahanabad, while other cities, like Sirhind in the Punjab definitely suffered. Mathura which was considered a prosperous and populous city till the middle of the eighteenth century suffered a major blow after it was sacked by Abdali's forces in 1756; yet further down the Yamuna, the great imperial city of Agra was still considered by many in the 1760s to be the richest city in the Mughal empire, not having been plundered by either the Afghans or the Marathas. On the other hand, there is evidence to show that smaller places like Ballabhgarh, Bharatpur and Kumbher were growing, and existing trading centres like Hathras or Panipat actually expanded.

Even if north India presents a mixed picture of urban existence, it is impossible to find urban contraction in other parts. Contemporary observers talked eloquently of the increase in Calcutta's population and importance, and while Calcutta's case may be dismissed as a colonial enclave, Dhaka had about 450,000 people living within its environs in 1765 and continued to be as thickly populated later on. In 1756, Murshidabad was declared as 'one of the richest cities in the world'; and in 1764 it was described, by no less a person than Clive himself, as '[a city] as extensive, populous, and rich as the city of London, with this great difference that there are individuals in the first possessing infinitely greater property than in the last named city'. In addition to these premier places, Bengal also had cities which were positioned at medium levels of consumption. Towns such as Bhagwangola, Azimganj, Katwa, Kalna, Chinsura and Chittagong were swiftly becoming intermediate centres of consumption, trade and habitation in the eighteenth century.

In western India, the partial decline of Surat was more than offset by the rise of Bombay. There also appears to have been no demonstrable correlation between political turbulence and urban contraction in central India. In Malwa, Maratha depredations in the 1720s had not prevented a pattern of urban growth along an axis different from the previously established Mughal *sarkar* towns. By the 1760s Ujjain expanded as Sindhia's capital and Indore became the base for the Holkar's, and by all accounts this city grew into a large and prosperous trading centre in the last decades of the century. Poona became the new outlet for Chanderi silk during its rapid growth from a small town to the capital of the Marathas. Burhanpur which had earlier served as an entrepot for trade along the Agra-Surat axis now shifted its hinterland to include Pune and Nagpur and Lucknow and Allahabad in the east. In the south, where the decline of the Empire had only a tangential resonance, towns continued to grow. Madras expanded at a phenomenal pace, and under the new regime Hyderabad witnessed remarkable growth, both as a place of elite residence and as a node of great commercial importance. While the decline of the Empire seems to have had an initially disturbing effect on some centres on the Coromandel, places like Masulipatnam, Nagapatnam and Devanapatnam quickly recovered under the political stability provided initially by *Nayakas* of Ginji and later by the better-developed regional kingdom of Tanjore.

Therefore, the eighteenth century may actually have witnessed a net accretion as far as town life, and presumably an urban-economy, are concerned.

Expansion of Overseas Trade

The other indication of India's economic vitality was the considerable expansion of its overseas trade. In the early 18th century there were disruptions with the damage to the great port of Surat caused by the Maratha invasions and by the crisis in west Asia. Anglo-French conflicts caused temporary setbacks in the Carnatic, but despite this India's overseas trade with Europe increased steadily. Om Prakash has recently shown that while the exports by the Dutch East India Company (VOC) from Gujarat suffered a steady decline between 1700 and 1750, these were counterbalanced by the enormous expansion of exports from Bengal between 1700 and 1752. These fell subsequently, but hovered at an average of about 2 million **florins** a year till 1785, which was still substantially higher than the value of exports at any point of time in the seventeenth century. While the Dutch ascendancy had certainly ended by the middle of the century, English trade was undergoing its most phenomenal expansion: expanding from £ 1.15 million in 1698-1700, to £ 1.92 million in 1738-40, £ 2.1 million in 1758-60 and £ 5.8 million in 1777-79. The pride of place had now shifted to Bengal. Some historians believe that prior to the British conquest of Bengal, the component of Bengal's export trade under European control was secondary compared to the trade with Asian markets, but there is very little evidence to substantiate such a claim. On the contrary, contemporary estimates of bullion imported into pre-Plassey Bengal show that of the annual importation worth Rs. 10 million, the share of bullion from Asia seldom exceeded Rs.2 million. India's trade was structurally linked to Europe much before the fact of colonization, and the major fall-out of this linkage was an unprecedented export-expansion accompanied by massive injections of bullion into the Indian economy. On an average, the Dutch pumped in 4.69 million florins worth of bullion in the Indian economy between 1700 and 1760. The English East Company brought in a total of £ 8.72 million worth of bullion into India between 1701 and 1721; this had gone up to £ 12.9 million between 1733 and 1756. The victory at Plassey introduced changes to the structure of this trade, but as will be discussed below, these were temporary closures.

The economic implications of such a massive expansion in trade have yet to be worked out for the eighteenth-century as a whole, but they are likely to have been positive. At a subcontinental level, Om Prakash visualizes the impact to have generated expansions in 'income, output and employment'. In Bengal alone he estimates that full-time employment opportunities in the artisanal sector increased at least by 10 per cent by the middle of the century. Though he discounts any inflationary impact of this massive influx of bullion, a rise in prices of commodities like rice and sugar is suggested in the prices of provisions listed in the purchases made by the English company around Calcutta. This would suggest that increases in money supply occasioned by larger and larger amounts of silver-bullion being pumped into the economy might have led to a simultaneous rise in both output and prices in the province. It seems Bengal wasn't an isolated instance as Prasannan Parthasarathi has recently detected a similar tendency on the Coromandel coast from the 1720s.

The important point is that bullion was flowing to recharge provincial economies. While substantial amounts of this were being sent to the imperial centre as tribute, most of it tended to stick in the provinces. Early Company observers estimated that such injections of bullion had resulted in a net accretion of at least 25 crores rupees (£ 25 million) to the Bengal's monetary reserves by the middle of the century. Provincial reorganization could thus occur in the midst of expanding regional economies. This would explain why the hallmark of the eighteenth century 'regional centralization' was an increase in the assessment (*jama*) in the provinces and the propensity of the state to collect revenue in cash.

An overwhelming consensus among historians in India is the view that political turmoil of the eighteenth century had disrupted networks of trade, particularly along the east-west and Agra-Surat axes. While some disruption cannot be ruled out, what is not clear is the extent or the depth of its adverse impact. Extremely fragmentary evidence about rising rates of insurance in the eighteenth century have been provided by Irfan Habib to show an increasing vulnerability of trade in this region, but this does not clinch the issue. Revenues showed no signs of declining. From Rs. 460,000 in 1571-72, Surat's revenue had increased to Rs. 700,000 lakhs in 1721. Cambay's revenue had gone up from Rs. 120,000 in 1719 to Rs.285,000 lakhs in 1755, while Broach's revenue, which was 45,000 rupees in 1714, stood at Rs. 50,000 in 1726; it hovered around Rs. 25,000 between 1750-60, but had jumped to a phenomenal Rs. 400,000 by the 1780s. Disruptions in western and central India had largely subsided by the 1720s, and according to Sumit Guha that trade increased in the Maratha territories from about that time, and commodity circulation and credit flows significantly affected village production and consumption. Elsewhere too, trade doesn't seem to have been critically disrupted. As Jos Gommans has shown, the Afghans developed the route to central Asia via Multan and Shikarpur. This supplied India with huge numbers of horses and the caravans of Indian merchants passed westward through their territory.

Taking an overview of the economy at the middle of the century, there is no ground to believe that the regionalization had diluted the tenuous commercial integration of the previous century. The Mughal highways operated with minimal disruption, and disruption in one area tended to be compensated by integration in another. *Banjaras* (transporters of grain) continued to ply their trade between Banaras and the Deccan through Mirzapur throughout the century, thus suggesting integrated circuits of long-distance trade even in cheap bulk commodities and foodgrains. For all the alleged problems caused by the Marathas, remittance networks through bills of exchange (*hundis*) between western India, Malwa, Rajasthan and Upper India seems to have held up well. *Hundi* dealers also dominated the complex network of remittances of tribute within the Marartha territories themselves, as they did with the revenues flowing out of eastern India. Credit could still be extended and money remitted over long distances. Bengal's rice and sugar were being traded for textiles from the Coromandel coast, cowrie shells from the Maldives, and for money from the Red Sea. Regional specialization in textile production seems to have intensified in this century, with the lower end of the market increasingly being catered from small, largely rurban, production centres. Production was increasingly getting tied to advance contracts. Raw materials, seed or the money were advanced to weavers and cultivators by the rich and neighbours or by the agents of merchants, who received the crops or textiles as finished products in repayment.

What was the situation in the countryside? In the absence of any sustained technological improvement to enhance productivity, higher output could only have arisen by expanding the area under cultivation, or by intensive marketing, or by devising newer devices to control agricultural labour. The eighteenth century shows the existence of all three, either separately or in various combinations. While the Punjab was undergoing a phase of contraction, and the surroundings of Delhi and Agra were suffering sharp vicissitudes, agricultural reclamation on an extensive scale seems to have been underway in the Deccan and in territories controlled by the Marathas. Rajasthan saw fairly impressive agricultural growth in the first half of the century. Prices rose faster than the level of revenue demand providing the incentive for increasing the area under cultivation and for growing more valuable crops. Both, grain taken by the state as taxation and cash crops were traded out of the province in large quantities. In Bengal, Richard Eaton has identified a marked extension of cultivation in response to the eastward shift of the course of the Ganges delta, which created favourable conditions for opening up new rice growing lands, whose produce went to feed the growing city of Calcutta and textile manufacturing districts of the west. In Awadh and Allahabad evidence of increasing prosperity in both country and towns is adduced in the higher revenue yields and the creation of new market centres extending even as far to the east as Bihar.

Reclamation was being organized by many agencies, ranging from the state to the landed-magnates, revenue-farmers and merchants. New market centres – *peths*, *bazaars*, and *ganjs* – were being established, or old ones were being reorganized under new owners on an extensive scale in Maharashtra, Awadh, Bihar and Bengal. Particularly important seems to have been the proliferation of village level markets, the *haat*, as these allowed exchange networks to percolate right up to the village level. Sharecropping seems to have expanded in a big way. In the Maratha Deccan, the term used for sharecropping was *vatekari*, whereas in eastern India, sharecroppers were known *adhiar* or *bargadar*. Client-labour was in widespread usage in Awadh and eastern India, while agrarian servitude and bondage was on the rise in areas of expanding irrigated agriculture in south India.

Such a situation leaves very little scope for doubt about indigenous eighteenth-century regimes witnessing significant measures of economic growth. While data for demographic growth are scarce, there is little ambiguity about the extension of cultivation, or expansion of trade in these regimes. On the whole, therefore, the situation would support the recent 'revisionist' view that the process of the imperial fragmentation had very little to do with the economies of the localities, except in some core regions. The regional economies continued to be buoyant. Pan-Indian networks of trade thrived in the changed political scenario and in some cases may even have expanded, and areas of growth seem to have adequately compensated for areas of decline.

The period after 1757 is usually seen a major watershed in the Indian economy. A recent reassessment of the Company's rule in eighteenth century Bengal by P.J. Marshall finds that in the Company's scheme of political dominance, the primary imperatives were (a) to ensure that their trading privileges were reformulated in terms of absolute rights, (b) to convert limited territorial grants into its outright property, (c) to maximise what it obtained from grants of revenue, and (d) to maintain armed forces at a level which would guarantee its security. Yet, its initial optimism and grandiose self-perceptions were considerably tempered 'by caution in using these powers, which inclined the British to non-intervention and to conserve Indian states as they understood them'. In addition, there were 'severe practical restrictions on what a foreign regime, even with a monopoly of overt force, could achieve in conditions in which had only limited contact with the mass of the population'.

In order to understand the role of the Company in determining the fate of the late eighteenth-century Indian economy, one must put its ascendancy in proper context. The decline of the Mughal Empire facilitated the Company's bid for power; it did not cause it. The old idea that there was complete chaos after the collapse of the empire now stands sufficiently revised. Some chaos there was, but it was geographically limited and was offset by the growth of stable and commercially viable regimes at different levels. The Company's success lay in battening on to such processes for commercial benefit and in using the rhetoric of chaos to augment its military presence and utility among the contenders of local dominance. They did this with consummate skill in south India in the 1740s and that experience was to serve them well throughout the century. In fact, most of the commercial concessions which the Company later used for political capital (like the *firman* of 1717 in Bengal) were consciously granted by the Mughals or their *subahdars* in the provinces; and the growth of fortified settlements in the east, south and western parts of India occurred in the full gaze of the empire, then at the zenith of its power. This meant that the Company's commercial and military interests were inseparably linked from an early stage of its existence, and that its enterprise in India was geared to ensuring that it was maintained at an optimum level. Therefore the transition to early-colonialism was underpinned by the success already achieved by the Company in ensuring the compliance from its indigenous political and commercial collaborators to the furtherance of its military-fiscal requirements. Conquest was the great facilitator of the transition, not its creator.

One has also to keep the territorial dimension of the early British Empire in mind in order to understand the economic implications of its rule. The British Empire unfolded over a period of a hundred years, and, like its predecessor, grew through a process of conquest, collaboration and co-option of indigenous systems into a gradually evolving pan-Indian framework of rule. Out of a possible 4.2 million square kilometres of territory, the Company had managed to control only about 388,500 square kilometres between 1757 and 1792, most of it located in northern and eastern India. Between 1798 and 1805, Richard Wellesley added another 50,000 square kilometres of territory per year to the British Empire between 1798 and 1805, thus inaugurating, what C.A. Bayly has termed, 'the harder edge of British empire-building' in India. This occurred under unprecedented demands being placed on Great Britain for resources during the Napoleonic Wars, and was characterized by 'a new single-mindedness of the power and dignity of the state, the morality of conquest and British racial superiority'. It also brought to an end the rampant opportunism of the Empire under Clive, of the cautious protectionism, which had characterized Hastings' governorship, and the defensive pragmatism of Cornwallis' tenure. 3.42 million square kilometres of India still lay outside the ambit of the Company's control at the turn of the century, and it wasn't before 1815 that the big push to swallow a large part of it began. With 2.56 million square kilometres under its belt by 1856, the job of imperial expansion had been successfully completed, though forty per cent of India still lay outside its direct ambit.

But this view of the Company as a relatively loose structure and its initial vulnerabilities cuts no ice with most historians in India. For them, this regime 'of blue-blooded European ancestry' was different for three reasons: first, it was driven by a relentless urge to maximize revenue; secondly, it reversed the established patterns of trading between India and Europe; and thirdly, it introduced the drain of wealth – the one-way flow of tribute – from India to Britain. The economic impact of such a cohesive system of exploitation was deleterious: impoverishing, deflationary and ruinous to both craft-production and agriculture. Let us examine these issues individually. Naturally, most of the discussion of this would centre on Bengal, which was the primary centre of the Company's rule in the eighteenth century as well as its principal financial pump.

On the question of revenue maximization, the evidence from Bengal, which was the initial laboratory of the Company's fiscal experiment, shows that on an average, 40 to 45 per cent of the agricultural output was collected as land revenue. The demand was also raised. With 1755 as base equal to 100, the index of the amount assessed stood at 135 in 1770, 155 in 1778 and 168 in 1783, but had dropped to 156.01 in 1790. The amount of revenue collected also went up but not significantly enough to constitute a radical departure from existing practices. The Company's collections seldom exceeded 85 percent of the assessment, which compares well with situation under the Nawabs who were successful in collecting anything between 90 per cent and 65 per cent of their assessments. The collection was made exclusively in cash, significantly furthering the process of monetisation in the province. But one aspect of the Company's financial behaviour constituted a radical break from the past. During periods of price slumps, the Mughal revenue officials often accepted payment of revenue in kind in order to reduce the real burden on the peasantry. That element of flexibility was now dispensed with. The Company insisted on all revenue being paid in cash, irrespective of the nature of the agricultural season. This tended to have serious consequences on the poorer cultivators during harvest failures.

Given the fact that collections were made exclusively in cash, the question of maximization of revenue would depend on whether or not the tax-burden had increased in real terms, and this would be a factor of the prevailing state of prices. The consensual view of this period is that the real burdens had increased, as this period was one of price-deflation caused by the extraction of tribute; but this is based on a very selective use of the evidence and goes against contemporary accounts, which show a substantial rise in the prices of both agricultural and non-agricultural goods in this period. A study of price figures available from the Dutch settlement of Chinsura and the prices of provisions near Calcutta leave little doubt about the inflationary tendencies at work in eighteenth century Bengal, especially from the middle of the eighteenth century. By the most conservative estimate, agricultural prices had more than doubled during the course of the century with the price-crest stretching between 1750 and 1795. Prices dipped somewhat after 1790 but remained well above the level at the middle of the century level, and continued to be so till 1795; and it was only by 1800 that prices tended to fall, but not below the 1736-40 level. Such increases blunted the edge of the Company's demands on many sections of rural society. While the smaller and marginal peasants suffered considerably, landed-magnates and the merchants weathered the Company's pressures quite well, and in fact prospered. Some historians have also ascribed the rise of a 'rich-peasant class', the ***jotedars***, to this period.

Turning to the question of the pattern of trading between Britain and India, the picture is one of overall continuity. Bullion supplies were never discontinued after the battle of Plassey. They were reduced, and even that restriction seems to have been partial. The Company imported £2.46 million of treasure between 1758 and 1768, £1.3 million between 1769 and 1779, £3.83 million between 1779 and 1789. But between 1790 and 1805 the Company pumped in £9.14 million worth of bullion into India of which Bengal's share was a whopping £5.77 million. Bengal had never received such huge supplies at any other time in the past. Private European trade was responsible for the arrival of £5.2 million worth of silver to Bengal between 1796 and 1806, and despite their trade being on a downward slope, the Dutch still imported 4.24 million florins worth of bullion per year to pay for their merchandize between 1790 and 1794. Contemporary grievances, and modern convictions, that a severe shortage of money in the late-eighteenth century was caused by this great reversal of India's pattern of trade need to be seriously countenanced against this evidence. The rate of agio (*batta*) being charged by money-changers for converting Arcot rupees into the Bengal *sicca* seldom exceeded 7 per cent in the 1770s, which was considerably less than the rates being charged in the 1720s when Bengal, ostensibly, was receiving huge amounts of bullion.

Commercial reports from the Company's Bengal's manufactories (*aurangs*) in 1773 revealed that the combined investments by the English, the Dutch and the French companies and those made by private European merchants 'exceed double the quantity which can possibly be made in the year'. Customs receipts collected by the Board of Trade in the late 1790s showed that Bengal's exports had trippled between 1777 and 1797, and that most of it was still based on an exchange of textiles, foodstuffs and other raw materials for precious metals and certain manufactured goods. Bengal was still far from becoming a source of raw materials or a receptacle of the finished products of an industrialising Britain in this period, and K.N. Chaudhuri's general assessment that during the 'half century following the revolution of 1757, trade continued to flow along the traditional channels' conforms well with the evidence on the ground. The vitality of Bengal's commercial economy remained substantially unaltered throughout the eighteenth century.

Elsewhere, too, commercial transactions appear to have remained robust. Nagpur, Bundelkhand, Ghazipur and Mirzapur were functioning as important nodes for the distribution of Bengal goods in western India and the Deccan at the end of the century. In the late 1780s, nearly 43 percent of the textiles produced in Banaras were being vended in western India, 49 percent was being sent to Bengal for shipment overseas, and the remaining 8 percent was destined for the Deccan and the northern provinces. Considering the fact that the markets for the luxury-end of Banaras textiles, its silk, was traditionally located in north and western India, whereas Bengal received its medium-priced cottons, this regional division of the trade from Banaras does not show a major change in India's internal market for textiles. By the 1790s, cotton wool from Gujarat and central India, and Malwa opium and indigo had started becoming an important part of India's overseas trade, and may have even partly compensated for the decline of some of the old staples. The North American market for Indian goods was expanding, and in Asia the demand from Europe was being supplemented by the demand from the Indonesia, while the west Asian markets revived by 1790. The attempt by the Company to monopolize the production of the 'new' international staples like opium may not have worked as efficiently as believed by some later historians. As B.B.Chaudhuri has shown, the production or the sale of such cash crops through the advance-payment system did not prevent 'market conjunctions', especially prices, in determining the autonomous response of the cultivators towards these crops; nor could the monopolistic policies of the state obstruct indigenous sources of credit from percolating into these sectors of production. In fact, cultivators often found advances to be an assured source of income and even welcomed them. International demand had also induced an element of regional specialization in the production of indigo. Bengal, Bihar and Banaras produced the finer variety, Awadh produced the 'middling' sort, whereas the 'ordinary' sort was being produced in the *Doab* and further west.

Other continuities existed. A major one, the financial relationships between the state and the bankers, which had been established during the process of regional growth was continued and even deepened in this period. Indigenous bankers supported the Company during the Plassey 'revolution', and once in place some changes occurred. Though the old banking establishment of the ***Jagat Seth*** had declined, the East India Company's Bengal revenue still depended on the advances of Indian bankers, above all on the support of the great Benares businesses. Their capacity to transfer funds all over India by bills of exchange or *hundi* made it possible for armies from Bengal to operate in western India or in the south. One shouldn't underestimate the resilience of the Indian banking system nor its capacity to resist the Company's financial machinations. Recent research in the banking sector of late-18th century Bengal has shown that Bengal's bankers (*shroffs*) continued to operate in the framework of their traditional business practices. They cooperated with the Company, but only on their own terms, and it was their intransigence which was the main reason why the Company's repeated attempts at reforming the currency of Bengal remained unfulfilled till 1835.

Bengal was not an isolated instance. Studies of banking in other parts of India have also shown the persistence of the relationship between indigenous capital and the early-colonial state. In Bihar, the change in the political regime in eastern India seems to have adversely affected some wealthy provincial merchants, but substantial banking firms of Patna and other cities of Bihar survived and thrived as their remittance business increased under the aegis of the Company. Like their counterparts in Bengal, *shroffs* continued to do good business, taking advantage of the multiplicity of coins. In western India, the linkage stemmed, paradoxically, not from the strength but from the weakness of the Company's finances. Here, the Company was facing an acute shortage of money and this made them turn inevitably to the financial assistance of the indigenous bankers.

The steady expansion of English trade, particularly English private trading towards China in the 1780s cemented this relationship. The share of private trade, which was 7.6 per cent of the total overseas trade of Bengal between 1752-58, 6.8 per cent between 1759-1764, and

5.96 percent between 1766 and 1772, rose to 41.88 per cent between 1790 and 1799. Some of this trade was undertaken by the import of bullion, but such huge increases necessitated internally generated funds. Commercial opportunities thus expanded for people with money. These were available in good measure from Indian financiers who provided private traders with ready-money loans, or invested in the agency houses, which were growing in Calcutta and Bombay mainly to finance the growing trade of opium and cotton to China.

In southern India, the documentation on the relationship between the Company and bankers is not very clear, but the larger nexus relationship between the Company and indigenous finances seems to have occurred initially in the context of its participation in indigenous state building, particularly in Arcot, reference to which has been made earlier. Prasannan Parthasarathi does not see bankers playing a major role in the Company's finances in the south, but he detects an expanding relationship between it and merchant-financiers, which became critical for the rise of English power. The Company also received financial support from other groups. Using the expanding opportunities of political-profiteering opened by the Company, *dubashes* (brokers/interpreters) drawn from the Komati commercial community of the Andhra region made large fortunes, much of it which they pressed back into the services of the Company's finances, and on the Coromandel, Chetty merchants and Brahman *ijaradars* (revenue farmers) served as part-financiers and account-keepers of the Company's trade. On the Malabar coast, the systems of renting monopolies and an array of new taxes on valuable agricultural produce which had been established during the occupation of this region by Mysore, was used by the Company and private British interests in Bombay to set up lucrative trade in peppers and cardamoms with the help of the indigenous merchants, who had also provided the commercial support base of the previous regime on the Malabar coast. Thus it would seem that in south India too the early-colonial system had the backing of a diverse group of commercial and powerful indigenous people.

For such people, the late eighteenth century was a period of expanding commercial opportunities. The case of Bengal illustrates this well. Here the Company effectively intervened to free the internal market of restrictions imposed by *zamindari* control during the previous regime. These had taken the forms of a proliferation of *zamindari* outposts (*chowkies*) to collect tolls at various rates dictated by the financial predilections of an individual *zamindar* and continuous conflicts between merchants and *zamindars* over the rate of tolls, over market jurisdictions and the movement of commodities. By taking a number of interventionist measures to regulate the administration of non-agricultural taxes, the Company was able to take a number of steps between 1773 and 1790 to rectify this situation. The chief of them was the abolition of the myriad duties which were levied at the various *chowkies* upon articles of internal consumption, and their consolidation at the final point of destination. The management of such duties was to be under five customs houses to be established at Calcutta, Hughli, Murshidabad, Dhaka and Patna. The other problem, of the control exercised by the *zamindars* and the *taalluqdars* over markets, was redressed in 1790, when the Company introduced a separation between rent collected in the markets so controlled and the taxes collected there on trade. While rent could continue to be collected on a private basis, the right to tax was henceforth to be vested in the Company. These measures streamlined the structure of internal trade, and enabled a rationalization of incomes between the state, the landed-magnate and the merchant. The combined result of these policies was a proliferation of market places all over Bengal. The increase in their numbers or their establishment in previously deficient areas enabled the peasantry to relate more easily to wider markets, and merchants could move more easily through them with their networks of credit.

Landed proprietors, who set up markets in the interior areas, provided loans to cultivators and generally underwrote the finances for agricultural reclamation, also joined the commercial bandwagon. This was certainly the case in Bengal. Markets created by the petty gentry and great nobles alike were appearing in Awadh, Maharashtra and peninsular India in the much less propitious circumstances of the late eighteenth century. In Maharashtra such places grew into 'little towns' (in the words of Sumit Guha) where a whole range of people could spread themselves into commerce, land holding and revenue farming in equal measure. Landed magnates also tried their hand at the direct cultivation of indigo when markets looked favourable, but most of them preferred to latch on to opportunities opened by the newly expanding horizons in the trade in indigo and opium by routing some of their monies into provisioning the agency houses who raised much of their capital locally.

1.8 THE INDIAN ECONOMY IN THE LATE EIGHTEENTH CENTURY: THE EMERGING DIFFERENCES

While such a picture does not square well with the notions of devastation and decay which reside so dominantly in the received wisdom of early-colonialism, it would be quite wrong to think that nothing had changed in India, or that every change was for the better. The Company's regime was aggressively mercantilist whose orientation was European, not Indian. State policy was financially driven and all institutions were to be streamlined to ensure this ultimate objective. Notwithstanding the great rhetoric which accompanied it, the Permanent Settlement was a feat of mercantilist social engineering to stabilize Bengal's revenue for the purposes of the Company's commerce. Under its terms the Mughal right of taxation, traditionally devolved upon the *zamindars* by the state was fused to their *milkiyat*, their 'private' domains, both of which could now be sold. Though this enlarged the 'rule' of private property in Bengal's countryside, the dip in agricultural prices after 1790 exacerbated matters and left the ordinary cultivator to receive the rough-end of the stick. There is no doubt that agrarian distress had increased considerably in the immediate aftermath of the Permanent Settlement.

What this indicates is that while the early-colonial regime buttressed regimes of indigenous landed and commercial properties; it did so by increasing the vulnerability of many at the poorer ends of society. The case of Bengal illustrates this process well. The Company was unrelenting in revenue being collected in cash irrespective of the conditions of the current harvest. This removed an important cushion, which the peasant had during the previous regime and became a major cause of mortality and distress during the famine of 1769-70. But notions of universal agrarian distress and a devastated peasantry would be over-pessimistic. The situation on the ground was more complex. Agricultural reclamation along the northern edges of the province and along its estuaries was continuing robustly and the fruits of it were being mopped up by the *zamindars* and the *jotedars*. Their positions, especially that of the *zamindars'*, were becoming stronger in relation to sharecropping tenants and day labourers. Though the evidence for this is patchy, some historians believe that *jotedars* in the northern fringes were behaving like '*kulak*-landlords': providing credit and engaging in agricultural trade over short distances. Rural stratification had increased in the course of the century, and its pace appears speeded-up during the latter part.

In south India, British intervention, while widening and deepening the circuits of cash transactions, consolidated the position of the leading *mirasdars* (peasant-proprietor) as 'village contractors'. As David Ludden tells us, these *mirasdars* now began combining cultivation with revenue farming and local level agrarian management. 'Mahajan' *mirasdars* used their control over land, labour and various commercial assets to accumulate financial resources that enabled them to contract for village revenues. But this was accompanied by a drastic change in the social conditions of the less privileged groups who were pushed into social and economic subordination. David Washbrook shows how the Company's direct intervention in south India consolidated two apparently contradictory elements: traditional social relations and modern laws of contract. The first was designed to preserve the existing social structure, while the second was geared to expanding commercial opportunities, and both these were detrimental to the position of labour. While custom was upheld to legitimize traditional bonds of labour control, agricultural wages were determined by laws of supply and demand, and enforced by a system of contracts. The labourers, especially those belonging to the marginatised-castes, thus stood doubly deprived.

The Company was also a hard commercial taskmaster. In its dealings, the Company as a monopolist-trader was extremely harsh with producers under its control, relentlessly enforcing the delivery of what was due to it and constantly attempting to depress the wages of the weavers in its employment. This made them extremely vulnerable to any sharp changes in the prices of food: highest famine mortalities were usually recorded among artisans working at the Company's manufactories. In south India, Parthasarathi's study of weavers in the Coromandel also draws a picture of growing artisanal vulnerability under the new dispensation. He shows that under the Company the weavers entered a new regime of labour control, which removed many of their past entitlements, and this led to a sharp decline in their wages and economic status.

But what we must also remember that this harsh regime did not cover the majority of cotton-textile weavers, at least not in Bengal, and many artisans managed to find loopholes in the system. There was a huge internal market for the more common varieties of cotton textiles, while the luxury-end of production hadn't completely dried up; and these meant that cotton textile producers and upcountry cotton merchants could still do well even under these trying circumstances. The silk industry is another good example of this differential impact. While Bengal's silk exports to Surat had shrunk from Rs. 0.45 million in 1766 to Rs.0.03 million in 1789, the north Indian market seems to have held up well. In 1789 the upcountry consumption of raw silk from Bengal was worth Rs. 1.99 million; in 1790 it was pegged at Rs.1.68 million. In the meantime, the Company's investments for Bengal's silk had increased from Rs. 0.92 million 1766 to Rs.5.54 million in 1789. This had induced a structural shift of Bengal's silk from an internal to an international market with somewhat serious consequences. Any drop in the Company's investment for silk had serious repercussions for the silk-growers (*chassars*) and the winders' incomes, and contrary to cotton, the existence of a small internal market for silk held out slim prospects of a limited recovery. Any improvement depended on the vagaries of the international market. A partial upturn in the 1790s was offset by a depression caused by the outbreak of the Napoleonic Wars in Europe, and it was only after 1813 that silk exports began to pick up from Bengal once gain. By that time silk production in places like Murshidabad and Rajshahi had already gone into steep decline.

Thus, despite increasing the scope, scale and volume of commercial transactions, the end-result of the Company's intercession was to tie the Indian economy into the north European cycles of trade and production. This integration wasn't new. It had begun with the increasing trend in the seventeenth century with the steady expansion of European trading in India, and its great expansion in the early eighteenth century had speeded up the process considerably. The difference now was that key sectors of India's economy were henceforth tied into the vicissitudes of this global-economy, and downturns in the latter caused harm to these important components of the Indian economy or foreclosed the possibilities of their autonomous growth. While many Indians were able to enrich themselves enormously in the process, much of the profits accruing from expanded commercial opportunities were siphoned away from India with little or no corresponding benefits to the country. There was rampant fiscal and commercial profiteering. Private British and European individuals made huge profits from revenue farming, from the expanding trade in opium or indigo, and from political corruption. These were mostly pumped out of India to East Asia, especially to Macao and Canton (port cities on the southern edge of China) through the agency of private British shipping and Portuguese commercial houses, where it was used to make further fortunes for the European expatriates. The agency houses became the front through which the salaries, perquisites and often illegally made money by individuals was siphoned out of India. £17.67 million were taken out of Bengal alone through these channels between 1757 and 1796. Much of the Indian capital in the service of private trade was thus dissipated through such remittances.

The remittances of private fortunes were accompanied by the official transfer of substantial amounts of India's surpluses to Britain as tribute. This was the drain of wealth in its classic sense, which, understandably, has come to occupy centre-stage in understanding the impact of the early-colonial system on the India economy. While an estimate places the combined (that is, on private and official accounts) transfer under this head at £4 million in the 1780s and 1790s, lower estimates ranging between £1.8 million and £1.92 million per year have been suggested by others for the period between 1757 and 1793. Given the nature of the data, it is difficult to establish incontrovertible figures, but these were indeed enormous. They were also unprecedented not just because of their magnitudes alone. Enormous amounts of up to 1 crore rupees (£1 million) a year had been sent to Delhi from Bengal in the 1720s. The difference of the transfers under the tribute of the late-eighteenth century arose on the grounds that for the first time official channels of trade were used to transfer private fortunes. Additionally there was no mobility of labour and capital between Britain and India to partially compensate for this loss as would have existed in the past when enormous amounts of imperial tribute being remitted from Bengal to Delhi in the past. General economic indices however do not suggest that this drain had succeeded in paralysing the Indian economy. As discussed earlier, commodity prices held up well till the end of the century and there was no shortage of money. But what is indisputable is that transfers of such magnitudes from India were easing the massive deficits on Britain's balance of trade with both India and China, thus leaving the Company free to divert its finances to the aggrandizement of India by enlarging the scale of its subsidies from Indian powers and by borrowing money from private Indian and European capital in India. India was now subsidising the colonisation of its own economy.

1.9 SUMMARY

The eighteenth century was marked by the decline of the Mughal Empire, giving rise to the emergence of several regional centres of power. Towards the middle of the century another factor came into the forefront with the establishment of the political power of the British East India Company, which had much deeper implications. The eighteenth century is interpreted by the historians from two angles, one set of historians, following an empire-centric approach, argue that the decline of the Mughal empire was catastrophic resulting in 'chaos and anarchy'. The other set of historians, who have followed a region-centric approach, emphasize that though the empire declined, this did not result in 'chaos and anarchy'. Regions became vibrant centres of socio-economic activities and the Indian economy continued to expand despite the political problems. This process was not substantially disrupted under early British rule, though numerous changes did emerge which were subjecting the Indian economy to unprecedented financial burdens.

1.10 GLOSSARY

Chaudhuri : Semi-hereditary *pargana* level official, mainly concerned with revenue collection.

Florin : A silver coin first struck in twelfth century Florence, and noted for its beauty. In India, this coin was widely used by the Dutch traders and was valued at about forty cents.

Jagat Seth : Lit. Bankers to the world. It was the title wielded by the famous Jain bankers of Bengal. It was during Siraj-ud Daulah's reign, the then *Jagat Seth* played a pivotal and treacherous role together with Siraj's maternal uncle Mir Jafar, Umichand and Rai Durlabh in determining the outcome of the battle of Plassey in 1757.

***Jagirdari* system** : The assignments given in lieu of salary to the nobles. The areas thus assigned were called *jagir* and its holder *jagirdar*. However, *jagirdar* was not allotted the land instead he received the income/revenue from the area assigned to him. *Jagirs* were frequently transferable.

Jotedars : Village landlord. The *jotedars* used to take lands on long-term leases from the *zamindars* and then got that cultivated on contract on a sharecropping basis. The lease so granted by the *zamindar* for the purpose of bringing the land back into cultivation at concessional rates. However, peasants' rights in the *jotes* were recognized by a set of customary codes.

***Mansabdari* system** — *Mansab* means rank. Each individual entered in the Mughal bureaucracy was allotted a *mansab*. It has dual ranks – *zat* and *sawar*. *Zat* determined the status of its holder in the official hierarchy and the personal pay of the holder. *Sawar* rank denotes how much contingent (horses, horsemen, and equipment) a *mansabdar* was supposed to maintain.

Taalluqdars — Substitute for *zamindar*. The term came into usage during the late 17th century.

Zamindars — Hereditary superior right holder. The *zamindar* was entitled to a percentage of the total revenue collected. It was generally 10% (though varies upto 25%) of the total revenue collected. When the *zamindar* was collecting the revenue for the state it was known as *nankar* and when the state was directly collecting the revenue by-passing him he was entitled to *malikana*.

1.11 EXERCISES

1) 'The eighteenth century was a century of universal decline.' Comment.
2) Critically analyse the 'empire-centric' approach. Do you agree with a view that the eighteenth century was a century of 'anarchy and chaos'?
3) How would you view the eighteenth century in the context of the regions emerging as vibrant centres of socio-economic activities.
4) Examine the region centric approach of historians in the context of the eighteenth century.
5) Analyse the state of Indian Economy during the eighteenth century.
6) What continuities and changes do you see in the Indian economy in the late eighteenth century?

1.12 SUGGESTED READINGS

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UNIT 2 HISTORIOGRAPHY OF THE COLONIAL ECONOMY*

Structure

2.1 INTRODUCTION

The economy of India has been the subject of economic analysis from the time the English East India Company began trading with India. There is ample evidence that the economists in England, including Adam Smith in *The Wealth of Nations*, explored the implications of the import of Indian products by Britain. Critics in the British parliament denounced Company rule in Bengal in the late 18th century and the origins of the drain of wealth from India can be traced to this period. The negative impact of colonial rule was very sharply criticized by Indian nationalists in the 19th and 20th century from Dadabhai Naoroji to Mahatma Gandhi. Marxists like R.P. Dutt and Ramakrishna Mukherjee have also been concerned about the transformation of India into a colonial economy and the argument has been developed more substantially in the works of later scholars.

Recently liberal and neo-liberal economists have tried to modify the critique of colonial rule in India developed by the left and nationalist historians of India. The left-nationalist position has been articulated in texts like Bipan Chandra's *India's Struggle for Independence* and Sumit Sarkar's *Modern India*. *The Cambridge Economic History of India,* Vol II, *c.1757-1970* edited by Dharma Kumar and Meghnad Desai and *Economic History of India, 1857-1947* by Tirthankar Roy can be considered important contributions to the liberal understanding of the Indian economy in the colonial period. The left nationalist perception of the colonial economy has been subjected to critiques in recent works but the more substantive issues raised by this group of historians have not been fully addressed by the new economic historians.

2.2 MAIN TRENDS

The Colonial Viewpoint

The men who ruled India and the colonial scholars who assessed that rule were at great pains to emphasize that the advent of British rule had brought peace and good government to the subcontinent. Pax-Britannica and the enormous public investment in the country brought about the development of a modern transport and communications network that laid the foundations of a modern economy. The railway network and irrigation system introduced by the British was the bedrock on which a modern economy was built in India. The British conferred the benefit of western science and education and prepared the Indians for eventual self-government. Scholars like Vera Anstey and Theodore Morison were willing to admit that there was an element of tribute in Britain's economic relations with India but that on the whole British rule was beneficial for the Indians. In any case their main purpose was to provide a defence against the charges brought out by the nationalists and nationalist economists against colonial exploitation.

The Nationalist View

Nationalist economists like Dadabhai Naoroji, Mahadev Govind Ranade, and J.V. Joshi were strong proponents of a theory of drain of wealth from India to Britain. Naoroji

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developed the argument about the drain of wealth from India in *Poverty and Un-British Rule in India*. They argued that British rule led to the impoverishment of India and that the Indian economy was subordinated to meet the needs of the British economy. A policy of free trade led to de-industrialisation and the growth of landless agricultural labour and the decline of employment in the secondary sector of the economy. A policy of high land revenue to meet the heavy expenditures on defence and civil administration led to the exploitation of the peasantry and the decline in per capita income during the period of British rule. The nationalist and economic historian, R. C. Dutt, had a debate with the Viceroy, Lord Curzon, on the nature of colonial rule in India along these lines. The substantive critique was developed in Dutt's *The Economic History of India* published in the early years of the twentieth century. Bipan Chandra explored the economic ideas of the Indian nationalists in *The Rise and Growth of Economic Nationalism in India* published in 1966. B.N. Ganguly used modern economic theory to assess the contributions of the nationalists to economic thought in *Indian Economic Thought: Nineteenth Century Perspectives* [Delhi, 1977].

The growth of commercial agriculture, often under physical or economic coercion, led to the growing dependence of the peasantry on merchants and moneylenders. This process of commercialisation of agriculture led to differentiation of the peasantry, growth of sharecropping and tenancy as well as landlessness. It also resulted in exploitation by both merchants and moneylenders and increase in the number of famines and rise in mortality. Most nationalists and nationalist economists attributed the devastating famines of the 19th century to the ill effects of colonial exploitation. The British rulers pursued a policy of free trade in order to promote the interests of British industry, most notably the Lancashire cotton textile industry, which flooded the markets in India.

The nationalists generally dealt with the neglect of public investment in irrigation and agriculture and the lack of support for scientific and technical education in the country. They argued that Britain was trying to transform India into an adjunct of the British economy as a valuable source of raw materials and a consumer of British manufactured goods. They did criticize the control over India's money supply, interest and exchange rates but that was much later in the twentieth century and particularly in the inter-war period. The primary focus of the nationalists was on the need for tariff protection and the measure of protection that was actually provided by the colonial Tariff Boards during the inter-war period to specific industries like cotton, steel, paper and sugar. In the final analysis the retardation of the Indian economy was attributable to the policies pursued by the British in India, not any failures on the part of the Indians.

The Marxist Perspective

The Marxist understanding of the colonial economy was that it was linked to broad changes in the British economy. The phases of capitalist development in Britain determined the features of imperialism in the colonial world. The phase of merchant capitalist development led to the exploitation and plunder of the resources of the non-European world. The exploitation of Bengal, after the battle of Plassey in 1757, was responsible for the 'drain of wealth' to Britain in the second half of the 18th century. The resources from India contributed substantially to the accumulation of capital that was essential for the British industrial revolution in its early stages. These ideas with minor variations can be found in the works of R.P. Dutt, Ramakrishna Mukherjee, Irfan Habib and Utsa Patnaik.

Marx himself had argued that colonialism would have a destructive phase in the beginning and it would be followed by a regenerative phase in which the colonial economy was transformed over time. The nationalists and the majority of Indian Marxists argued that the impact of colonial rule in India was basically negative. Colonialism led to the immense exploitation of the Indian people and the immiserisation of the population. Some Marxists, like Hamza Alavi and Jairus Banaji, briefly argued for a new or an additional stage in the schema of historical evolution offered by Marx, namely the colonial mode of production [Utsa Patnaik (ed), Delhi, 1990]. Indian Marxists, most notably Irfan Habib, did not accept the suggestion that in India there was an Asiatic mode of production instead of feudalism, but the idea of a colonial mode of production died within a decade of its appearance.

Bipan Chandra argued that excessive colonial exploitation of India in the early phase of capitalist development in Britain led to the retardation of the Indian economy. Therefore the utility of India for Britain in the next stage of its historical development diminished.

The Marxists share many ideas with the nationalists – the drain of wealth, deindustrialisation, forced commercialisation of agriculture and the exploitation of the common people by colonial rule. Where they differ is in developing a systematic critique of the Indian capitalist and landowning classes on the question of economic growth, land reforms and anti-moneylender and anti-landlord legislation in the colonial period. Also the Marxists invariably link their critique of colonialism to capitalism and imperialism. Many nationalist economists too refer to these terms but they do so in a less rigorous and comprehensive manner than the Marxist economists. The Marxists also consider alternatives to the path of economic development adopted by the mainstream Indian nationalist leadership. They have a different assessment of the possibilities of economic and political development within colonialism from that of the nationalist economic historian.

The work of Latin American economists and historians like Andre Gunder Frank [1967] and Celso Furtado [1970] has been quite significant in shaping the understanding of colonialism. The most significant and popular argument was that underdevelopment was not a natural condition and that there had been over time the development of underdevelopment. It was argued that European capitalist imperialism from the 17th century onwards had been exploiting the resources of the non-European world. The economies of the countries that came under the grip of these capitalist forces were systematically exploited and distorted over several centuries. Therefore to describe the third world economies after the Second World War as underdeveloped was a blatant distortion of history. The work of Samir Amin [1974] and Immanuel Wallerstein [1976, 1979] also shaped discussions of colonialism in Asia, Africa and Latin America right through the 1970s and 1980s in the Third world.

The 'dependency school' was not very popular in India partly because it was unacceptable to Indian Marxist scholars. Even in the west Marxists like Bill Warren had criticized the dependency school argument in *Imperialism: Pioneer of Capitalism* published in 1980. The Indian Marxists felt that this school was working with an understanding of capitalism based on exchange relations rather than production relations within an economy. They also found the attitude towards economic growth too rigid and deterministic. The 'world-system' and 'world economy' approach of Wallerstein, with its division of the world economy into core, periphery and semi-periphery, was also perceived as too schematic and rigid. The immense complexity of the society and economy of South Asia also made arguments at this level of analysis unacceptable to the majority of Indian left-wing scholars. The body of empirical work already done by Indian Marxists also made them disinclined to pursue the lines of enquiry offered by the dependency and world-system theorists.

Liberal and Neo-Liberal Interpretation

In the 1980s the 'counter-revolution' in economic history gained momentum in the Anglo-American world. The rise of monetarist theories and the growing rejection of Keynesian economics led to a revaluation of major issues in the economic history of Britain and other countries. The revaluation of imperialism also began in this period and scholars like Cain and Hopkins [1993], Patrick O'Brien, [1988] Davis and Huttenback [1986] began to question some of the staunchly held views of the Marxist and left-liberal intelligentsia about the nature of colonialism. British colonialism did not in this view appear as exploitative as it did from the left-nationalist viewpoint. It has been argued that the economic exploitation of the colonies was not beneficial to the British people as a whole; that the availability of markets for British industrial goods in the colonial world and capital investment in overseas markets may have discouraged domestic investment and delayed the development of the 'new' industries in Britain. In fact in the *Past & Present* of 1988 O'Brien went so far as to argue that Britain would have been better of if it had abandoned its Empire in 1846 as the free traders like Cobden and Bright were arguing at that time.

The recent emergence of liberal or neo-liberal ideology is not only a hardheaded look at the economics of empire, there has been much concern about the application of economic theory and neo-liberal theory in order to look at the economic issues explored by an earlier generation of left-nationalist scholars. Tirthankar Roy's examination of the issue of de-industrialisation in colonial India takes up self-consciously a non-Marxist viewpoint based on the ideas of Adam Smith. Gregory Clark [1987] examines the question of labour productivity in Indian mills as a factor affecting their ability to compete against British imports despite very low wages. The links between economic processes and social stratification and change is also explored in recent literature.

The earlier economic historians explored the broad trends in economic development of the country. Over time there has been a proliferation of empirical work on a whole range of themes and subjects that only received cursory treatment in broad surveys of the colonial economy earlier. Secondly, the use of economic theory has increased in the study of economic issues. New concepts have emerged and the same data has also been examined from a fresh point of view. Thirdly, the level of rigour in the use of statistical data has improved over time. In the 1970s there was the emergence of rigorous quantitative economic history in the study of the economies of the west.

These quantitative historians, known as the cliometricians, made use of econometrics and statistics to interpret economic data in a manner that had not been possible earlier. The use of counterfactuals to interpret changes in economic processes also grew in the 1980s. The second edition of *The Economic History of Britain Since 1700* in three volumes published in the mid 1990s actually integrates quantitative techniques and counterfactual arguments to make assessments of British economic performance, of the costs and benefits of British imperialism and the value of British overseas investments. These techniques were not important when the first edition of this work, *The Economic History of Britain Since 1700,* edited by Floud and McCloskey, was published in two volumes in 1981.

Economic Theory, Anthropology and Ecology

In Indian economic history we find theoretical sophistication in the work of Amit Bhaduri [1999] and Krishna Bharadwaj [1974] in their discussions of agricultural development. The use of quantitative techniques can be found in the works of Omkar Goswami and Shrivastava at the level of the regional economy and the works of Blyn, Heston and Sivasubramanian at the level of the Indian economy as a whole. There has also been the use of anthropological evidence to interpret economic and social change. In his study of the emergence of bonded labour in the Gaya and Shahabad districts of Bihar Gyan Prakash has used the oral *Lorik* literature of the bhuinyan landless labourers to reconstruct the past and understand the *kamia-malik* relations in the region. Dipesh Chakravarty has used ideas of Marx and Heidegger to interpret the Vishvakarma *puja* by industrial workers.

The study of ecology and environment was considered important for scholars of ancient India. Scholars of ancient India considered the implications of geography for Indian history very important even fifty years ago. In the study of modern India the role of ecology and environment, though not totally absent, was not given more than a passing reference until about two decades ago. Agronomists and industrial economists were always concerned about specific aspects of the environment even fifty years ago, but a wide-ranging concern has emerged only in the last two decades. Ecological aspects of poppy and indigo production can also be found in the study of the commercialisation of agriculture in Bengal by Binoy Bhushan Chaudhuri in the late 1960s but the primary concern was not with ecology and environment.

A major early text, *Agrarian Conditions in Northern India* by Elizabeth Whitcombe published in 1972, was concerned with ecology. It studied the ill effects of the spread of irrigation in the United Provinces. However the main contribution came from Ramachandra Guha and Madhav Gadgil in *This Fissured Land* [1992]. In recent years Richard Grove [1998], M. Rangarajan [1996], Sumit Guha [1999] and K. Sivaramakrishnan have worked on these themes. Ludden's *Agrarian History of South Asia* is also an attempt at integrating economic, agronomic and ecological themes.

2.3 ISSUES AND THEMES IN HISTORIOGRAPHY

The Eighteenth Century and Colonialism

One of the major concerns in South Asian historiography has been the potentiality of capitalist development in the region. Irfan Habib discussed this in the late 1960s. He did not think that there was the possibility of capitalist development in India despite several favourable features of the economy of 18th century India. Several scholars have challenged the viewpoint that regarded the west as the model for economic development. The transition from feudalism to capitalism is no longer discussed in terms of the two paths that Marx had described and Dobb had discussed in his *Studies in the Development of Capitalism*. [London, 1963] Terence Byres has argued that there are several historical paths from feudalism to capitalism. Even more radical a perspective has emerged over the last decade. The historical explanations for the rise of capitalism in Europe have been questioned and the gap between the west and the rest of the world has been challenged. This has been cogently argued in *The Great Divergence* published in the year 2000 by Pomeranz. Although this deals with the similarities in the levels of development in south China and England until the second half of the 18th century the critique of Eurocentric history has finally emerged.

After the publication of the works of Bayly, Marshal [1998], Alam and Subrahmanyam it is no longer possible to regard the 18th century as a period of decline and decay. They have argued that the period was not marked by stagnation and destruction although recurring warfare did have negative effects. The advent of colonialism was not a sudden or disruptive event but a gradual process. Further, European trade had expansionary effects on the economy of India and was not as exploitative as the nationalists and Marxists like N.K. Sinha [1965] and Ramakrishna Mukherjee [1974] had argued. Capitalism did not develop in India but the living standard of the artisans and the rural population was hardly as dismal as early colonial accounts had suggested. Parthasarthy has argued that the conditions of weavers in South India were as good as that of weavers in Britain at the end of the 18th century [*Past & Present*, 1998]. The 18th century was a period of agricultural expansion and scholars like Muzaffar Alam [1986] and Stewart Gordon [1994] have argued that there was expansion of acreage in several regions despite the decline of the Mughal empire and frequent warfare.

In a recent survey Bayly has argued that Europe did have a lead over the non-European world. *The Birth of the Modern World* argues that the industrial revolution, changes in the nature of warfare and the role of the state in Europe in the 17th and 18th centuries may have as much to do with the edge that European states enjoyed in the non-European world as the so-called industrial revolution. Bayly has argued that 18th century India was far more dynamic than was believed earlier but it was not in a position to compete with the East India Company in India. In his earlier works, *Rulers, Townsmen and Bazaars* and *Imperial Meridian* Bayly has not looked at the question of exploitation and drain of wealth from India. In his 2004 publication he does cite O'Brien to argue that the transfer of resources to Britain could have constituted about 5% to 15% of the capital formation in Britain towards the end of the 18th century. The revisionist work of Bayly and the Marxist critique may have come as close to each other on this issue as is possible given the difference in the perspectives of the two traditions, liberal and Marxist.

Impact of Colonial Rule

The nationalist economists had argued that British rule had impoverished the country. All the nationalist estimates of per capita income under colonial rule brought out the decline in per capita income in the country after a century of rule. The colonial apologists pointed out that this had to do with the backwardness of the country before the advent of colonial rule and the tremendous increase in population that pulled down the per capita output and consumption of foodgrains in the country as well as the per capita income. Various estimates have been made about India's overall performance. One scholar thought it fit to divide the assessments on the basis of their conclusions into optimists and pessimists.t: The optimists found evidence of economic progress in terms of infrastructure for a modern economy, the emergence of a class of rich peasants in various parts of the country, the rise of modern industry and institutions. D.K. Fieldhouse and Niall Ferguson are the liberal scholars who take a more optimistic view of the overall progress under colonialism or Anglo globalisation as Ferguson [2003] chooses to call it in his book *Empire*.

There is no doubt that colonial rule did not lead to remarkable economic progress. The Marxist argument was that the British industrial capitalists did not want India to compete against the industries of Britain and therefore followed a policy of free trade. Dadabhai Naoroji, D.R. Gadgil, [1969] R.P. Dutt, A.K. Bagchi [1972] and Rajat Ray [1979] emphasize the importance of the policies of the colonial state, regardless of the other factors responsible for retardation of the economy. The nationalists and Marxists agree that a measure of tariff protection and state support for industry would have led to substantial industrial growth before the First World War. The British had a stake in thwarting India's industrial development but the utility of India as a market for British manufactured goods depended on the purchasing power of the Indian population.

Barrat Brown [1974] and David Washbrook [1981] explored the implications and reasons for the stagnation of Indian agriculture. Brown argued in the late 1970s that the slow development of the Indian economy and specially agriculture diminished the opportunities in India for the British export industries. Washbrook argued that whenever the impulse for modernisation and development of the colonial state came up against the need to maintain political stability the state invariably chose the latter instead of the former. The reasons for the limited public investment in irrigation in the pre-World War I period had to do with the official requirement of an adequate rate of return on investment in irrigation projects after a certain period. The nationalists argued that the British neglected irrigation in favour of the railways because the latter industry directly served the interests of the British economy. Whatever the reasons for it the performance of Indian agriculture was dismal and the optimists and the pessimists have very marginal differences in their estimates of the overall growth rate and per capita growth rates of output, productivity and yields of agriculture in the period 1900-1947.

It was argued by the Marxists that the impact of the Great War and the Great Depression weakened Britain's grip over India and allowed the Indian industries to develop. In recent years the argument of scholars has been that in the closing years of British rule in India foreign capitalists and expatriate businessmen in India were willing to invest in industry but were constrained by the absence of sufficient demand for the products of industry. Tomlinson argued this more than two decades ago with regard to the plan to set up a second steel plant in India to rival the Tata plant at Jamshedpur during the mid-1930s. In the late colonial period while several factors favoured import-substitution industrialisation economic nationalists and left wing scholars have continued to emphasize the rearguard action of the declining staple industries like Lancashire cotton to try and retain its market in India. Basudev Chatterjee and Aditya Mukherjee emphasize the struggle of Indian businessmen and nationalist politicians to try and protect Indian interests against the interests of foreign capitalists. Limited growth of industry takes place despite the negative role of vested interests and the colonial state.

Deindustrialisation

In the early left nationalist assessments of the decline of the traditional artisanal industries in India it was argued that manufactured imports led to a significant decline in the number of people engaged in the secondary sector and the growth of landless agricultural labour. S.J. Patel [1952] had used the Census of India Reports to argue that landlessness in India had increased dramatically. Daniel Thorner used the same Census Reports from 1881 to 1931 in *Land and Labour in India* [Bombay 1962] to argue that the decline in secondary employment during this period was not more than one or two per cent. The misreading of Census categories was behind the high estimates of decline in the secondary sector. The focus of scholarly attention thereafter shifted to the decline in employment in the pre-Census period.

In 1968 Morris David Morris argued that the discussion of deindustrialisation was uninformed by economic theory. Even with substantial increases in cotton imports into India during the 19th century an increase in population, per capita income and per capita cloth consumption could have led to an expansion in the size of the domestic market for cloth. Therefore the argument for deindustrialisation based on rising manufactured imports into the country would not hold. The *Indian Economic and Social History Review* [1968] carried sharply critical responses by Tapan Raychaudhuri and Bipan Chandra. They pointed out the immense amount of empirical information that was available in official reports and unofficial accounts of the decline in the income, employment and output of weavers. The use of cheaper imported yarn to produce cloth would not help Indian weavers compete against the products of Lancashire unless the weavers substantially improved their productivity or accepted a lower income according to an estimate by Meghnad Desai for the mid-19th century.

Bagchi [1976] used the Buchanan-Hamilton survey of 1809-11 and the Census of 1901 to conclude that the number of people in the secondary sector declined from 18.6% to 8.5%. Sumit Guha [1989] argued that Bagchi over-estimated the extent of the decline based on his assessment of the conversion ratios of raw cotton to cloth and the quality of cloth produced in the region. During the 1980s numerous studies brought out the regional variations in deindustrialisation. Krishnamurty [1985], Specker [1989], Harnetty [1991] and Yanagisawa contributed to it. Specker's study of handlooms in the Madras presidency showed that the number of handlooms did not decline but the number of people engaged in weaving declined and there was a movement towards coarse-cloth production. The decline in spinning and weaving in this account were dependent on the conditions of agriculture and the relative prices of raw cotton, cloth and food crops. Imports were not the sole cause in the decline of the weavers but the economic fluctuations in the agricultural sector and famines contributed to the decline of artisanal production and employment.

In several recent articles and books it has been argued that the pessimistic assessments of the handloom sector in India in the 19th and specially the 20th century may not be justified. In *Artisans and Industrialisation* Tirthankar Roy [1993] argued that the handloom sector managed to hold its own against both the foreign and Indian mill sector during the inter-war period. In fact the market share of handlooms in cloth consumption in terms of value probably increased during the 1930s. Roy has done detailed work on the traditional industries of India to argue that many of them managed to cope with foreign competition fairly well. There was a growing use of superior technology like the fly shuttle and imported yarns and dyes. The artisans benefitted by congregating in towns and improved their bargaining position vis-à-vis financiers and merchants. The number of weavers declined but the output remained substantial based on rising productivity. Industries like brassware and leatherwork managed to adjust to the changing environment and prospered in the urban centres.

Although recent literature, like Roy's *Traditional Industry in the Economy of Colonial India* [Cambridge,1999], has provided a detailed account of the history of Indian crafts and their dynamism the substantial decline of Indian artisanal production in the 19th century is undeniable. The period 1850-1880 witnessed the most significant decline in output and employment in the handloom sector as Twomey [1983] has pointed out. Revisionist work has not been able to undermine the validity of the nationalist argument that during the 19th century there was a tremendous decline in Indian artisanal production and employment.

Drain of Wealth

The idea of tribute from India to Britain emerged in the late 18th century and Sir John Shore and Rammohan Roy also made some rough estimates of the sums that went out of the country. The theory of the drain is however associated with Dadabhai Naoroji who estimated that by the late 19th century 1500 million pounds had been taken away in the form of drain. He argued in his book, *Poverty and Un-British Rule in India* [London, 1901], that the country was impoverished because of this drain and the capital that Britain invested in the country was a small part of the money that Britain had taken out earlier. The British made huge profits on the export of commodities and these also constituted a form of drain. In his analysis there was also an internal drain as resources were sucked up by a few urban centres. The 'home charges', the expenditure that the Government of India incurred in Britain as contractual expenses overseas, were directly related to the fact of colonial rule.

Of special importance was the argument about the unrequited export surplus. The nationalists believed that the maintenance of a substantial export surplus was a necessary mechanism for the drain of wealth from India. These 'unrequited exports' were a measure of the drain of wealth from India. Many nationalists believed that the entire export surplus represented a drain from India because there was nothing that India got in exchange for this surplus. The drain was in its widest definition a term that implied all the ways in which the fact of colonial rule imposed a financial burden on India. The entire exploitative mechanism established by colonial rule – ranging from high defence expenditure, costly civil administration, high land revenue demand, neglect of development and irrigation, guaranteed railway loans – were all indirectly related to the drain from India.

The colonial apologists were critical of both the wider and narrower definition of the drain theory. They argued that strictly speaking only some of the Home Charges, the expenditure incurred by the Secretary of State in London on behalf of the Government of India, constituted 'tribute' or the drain from India to Britain. The expenditure incurred under Home Charges was a small fraction of the total value of India's foreign trade and could not be regarded as a major burden. The annual remittances of interest on railway loans and public debt in pound sterling could not be regarded as a drain. The loans were taken for productive purposes and the rates at which the capital was provided was lower than what India might have got even if it had been an independent country. India benefited by having access to the cheapest capital market in the world and payment of interest on debt did not constitute exploitation or drain.

Vera Anstey in *Economic Development of India* [London, 1921] and Theodore Morison in *Economic Transition in India* [London, 1911] also argued that there was no question of unrequited exports since India received payment for all its exports. The nationalists did not take into account the huge import of gold and silver into the country that made India a sink for precious metals. The export surplus was used to pay for the imports of treasure and payment for banking and financial services that appeared in the balance of payments accounts. The tribute was a small price to pay for the peace and good government that the British gave to India. The investments in the railways, plantations, mines and public debt of India aided the modernisation of the country. The colonial view found no economic justification for the nationalist theory of the drain.

Liberal and neo-liberal economists and historians have supported these arguments of the colonial apologists. K.N. Chaudhury [1968] in an article in 1968 had argued that the Home Charges constituted only about 1.5% of the value of India's exports at the beginning of the twentieth century. Since only the Home Charges constituted a drain in the strict sense of the term the tribute was not a very significant burden. In the *Cambridge Economic History of India*, Vol II [Delhi, 1983], Chaudhury argued that the poverty and lack of economic development of the country could not be understood primarily in terms of a theory of drain of wealth from India. Goldsmith in *The Financial Development of India, 1860-1977* argued that the drain was not very significant and broadly agreed with the views of Anstey. Although B.R. Tomlinson cites the work of nationalist and Marxist scholars on the drain from India it does not strike him as a very significant burden in his *New Cambridge History of India* volume entitled *The Economy of Modern India, 1860-1970*.

For the Marxists the drain of wealth is an important factor in the critique of colonialism. Irfan Habib [1985], Utsa Patnaik and Sunanda Sen have developed their arguments against the liberal and colonial viewpoint. Although discussion of the drain is found in the works of earlier scholars like Gurtoo [1961] and Banerji [1982] the works of the three scholars mentioned above have acquired greater influence. Irfan Habib emphasized the importance of the drain from India for the capital formation in Britain during the early stages of the industrial revolution. He also critiqued the *CEHI* Vol II for its inability to perceive colonialism in its survey of the economy. Utsa Patnaik [2000] pointed out that between one-sixth and three-tenths of the total taxation revenues of British India were transferred abroad for the entire duration of colonial rule starting in 1765. She argues that a surplus budget was used by the colonial state to pay for expenditures incurred abroad. Commercialisation of agriculture was encouraged to pay for these expenditures overseas by means of export surpluses. This led to famines in the nineteenth century and the decline of per capita food availability in the twentieth century [Utsa Patnaik, 1990].

Sunanda Sen has argued that though the economic nationalists of the 19th century misunderstood the mechanism of the drain they were right in assuming that the remittances under the Home Charges constituted a drain of wealth from India. Sen has argued in *Colonies and the Empire*: *India 1890-1914*, published in 1992, that the nationalists were wrong in assuming that India's exports were not being paid for. Also the payment of interest on productive loans cannot be regarded as a drain. However the decision of the Select Committee of the British Parliament had led to a change in accounting practices of the Indian government in 1867. According to this new practice the revenue surpluses of India were to be used to retire the unproductive debts of India that were deliberately classified under productive works. As a result of these accounting practices what was in fact being paid out of Indian revenues was not interest on productive debt at all. Therefore the nationalist hunch that the entire amount of the remittances under Home Charges constituted the drain was justified. The drain amounted to about 19.8 million pounds per year on average during the period 1898-1908. This was about 2.3% of India's national income at that time. The drain of wealth from India is an issue that the left-nationalists are unwilling to abandon and it would appear with good reason.

Commercialisation of Agriculture

There was commercialisation of agriculture even in the pre-colonial period, but it grew enormously during the colonial period. The nationalists argued that commercialisation of agriculture was encouraged to make India a supplier of cheap food and raw material for Britain and also to provide the trade surpluses with other countries like the U.S.A. These trade surpluses of India would help Britain meet its balance of payments difficulties with Europe and America. The nationalists also argued that the production of crops like opium and indigo in the 18th and early 19th century was based on a system of physical coercion and economic compulsions. Left-nationalist scholars called this 'forced' commercialisation of agriculture. An important study was the one edited by K.N. Raj and others entitled *Essays on the Commercialisation of Indian Agriculture* [Delhi, 1985].

Benoy Bhushan Chaudhuri in *Growth of Commercial Agriculture in Bengal, 1760-1900* [Calcutta 1964], has discussed the system of loans and advances that was used to provide economic inducement as well as financial pressure to compel the peasants to produce cash crops like indigo and opium. The peasants had to be coerced to produce opium because the East India Company had a monopoly over opium and used it to buy the crop at low prices. The peasant could not get adequate remuneration because of this policy. On the other hand the producers of opium in the Malwa region that was not under British control and where the peasants were not subject to this monopoly, were able to profit by the sale of the crop. Amar Farooqui has also discussed the subject. In the case of indigo too physical and economic coercion was involved.

The nationalists and the Marxists have also argued that the need to pay high land revenue in cash also created pressure on the peasantry to produce crops for sale. The timing of the payment of the revenue was a factor that compelled the peasantry to borrow from the moneylender. Shahid Amin [1982] has drawn attention to this problem in his study of the small-holding peasantry engaged in the production of sugarcane in Gorakhpur. The Marxists have emphasized the importance of the rent-revenue-credit squeeze as a factor that compelled the peasantry to produce cash crops. The need to pay rent to the state, revenue to the landlord and interest to the moneylenders compelled the peasantry to produce for the market even if they did not find the prospect too attractive in terms of the financial rewards and risk involved.

The work of B.B.Chaudhury [1984], Sugata Mukherjee, Partha Chatterjee [Ashok Sen, Partha Chatterjee and Saugata Mukherji, *Three Studies on the Agrarian Structure in Bengal, 1850-1947*, Calcutta 1982] and others has brought out the element of economic and non-economic pressures influencing the production for the market in Bengal.

The British introduced the Permanent Settlement in Bengal in 1793 in order to encourage the development of agriculture on capitalist lines. Instead, there was the growth of sub-infeudation, rack-renting, absentee landlordism and merchant-moneylender domination. In the *ryotwari* and *mahalwari* areas too the production for the market did not lead to the development of capitalism in agriculture. Despite production of cash crops like cotton, sugar, jute, oilseeds, groundnut and cereals like rice and wheat for the market on a substantial scale after the mid-19th century there was no significant transformation of the technical basis of production or the clear articulation of capitalist social relations of production in agriculture. Instead, there was debt subordination of the peasantry and merchant moneylenders sought to exploit the labour power of the peasantry rather than to take over their lands.

Jairus Banaji argued in the *Economic and Political Weekly* [1977] that the merchant moneylenders in the Deccan cotton producing area preferred to reduce the peasantry to debt bondage rather than take over their lands because this would enable the peasant to exploit family labour to supplement the below subsistence income that he derived from cultivation. If the moneylenders were to evict the peasants and turn them into landless workers they would have to be paid a higher subsistence wage and this would raise costs of cultivation. If the social relations of production were not transformed despite production for the market over almost a century this was because of economic preferences of the potential capitalists.

The early nationalists argued that high land revenue demand, the timing of the payment of the revenue installments and the growing production of cash crops created for the peasant a compulsion to borrow. The ubiquitous moneylender that the British sought to restrain through anti-moneylender legislation was in fact a direct consequence of British land revenue policies. It was argued that this was leading to a social revolution in the countryside that produced the anti-moneylender riots in the Poona and Ahmadnagar districts of the Deccan in 1875.

Charlesworth [1972] argued that the moneylenders were not taking over the land of the peasantry and that they were interested in income from the land and not the possession of land *per se*. In numerous subsequent studies of agriculture the distinction between the urban and rural or agriculturist moneylender became a commonplace one. While the urban moneylender was not keen to acquire lands that he could not cultivate, the successful peasant producer or rich peasant was eager to expand and buy lands of defaulting debtors. Sugata Bose [1986], N. Charlesworth [1985] and N. Bhattacharya [1985] have made this distinction in studies of Indian agriculture. The rich peasants, who constituted a thin stratum in rural society, were keen to expand acreage but not to make substantial capital investment in land. Therefore the nature of agricultural production was not altered by the emergence of more substantial peasants over time.

The emergence of a class of peasants who had prospered owing to the commercialisation of agriculture was not initially acceptable to nationalist and left wing scholars. Left-nationalist scholars received the arguments of Charlesworth in *Peasants and Imperial Rule* and C. Baker [1984] in *The Tamil Countryside* with much skepticism. Over time the argument of a rich peasant stratum has been accepted though it does not seriously alter the pessimistic assessments of the aggregate long-term performance of Indian agriculture. As Tomlinson acknowledged in *The Economy of Modern India, 1860-1970,* the emergence of the rich peasant does not alter the perception of overall stagnation in Indian agriculture. In his introduction to *Growth, Stagnation or Decline?: Agricultural Productivity in British India* [Delhi 1992] Sumit Guha argued that the performance of agriculture during the colonial period was dismal and the gap between the estimates of the two sides in the debate was not very wide.

The estimates of agricultural growth by Blyn, Mukerji and Sivasubramanian were on the low side while those of Heston and Maddison were on the higher side. Even the revised estimates of the performance of agriculture by Sivasubramanian in *The National Income of India in the Twentieth Century* [Delhi, 2000] reveal a dismal performance. Sivasubramanian had earlier estimated that agricultural output at 1938-9 prices had grown by 10.8% between 1900-1947. In his estimates of 2000 he revised the GDP growth rate to 17.3% for this period. While the growth of real GDP in the primary sector, not just agriculture, was 0.5% per year during the first thirty years of the twentieth century it was 0.2% for the next two decades.

The result of various factors – production of cash crops for the market, the rent-revenue-credit squeeze, environmental degradation and natural factors like rainfall levels – led to frequent famines in nineteenth century India. The incidence declined during the twentieth century, but famines did not disappear. Some of the decline was attributable to the creation of a national market and the movement of foodgrains from surplus to deficit areas. Several scholars like B.M. Bhatia [1965], David Arnold [1988], Amartya Sen [1981], Paul Greenough, [1982] Omkar Goswami [1991] and Sanjay Sharma [2001] have explored the history of Indian famines. The responsibility of the colonial state, of deindustrialisation and the advent of the railways has also figured in discussions of famines. Amartya Sen analyzed the impact on mortality and the moral economy of sharing of food within families. Goswami has argued that the famine of 1943 in Bengal was a problem of distribution and price not of production and supply. Sharma has explored the discourse of the colonial state regarding famines and the responsibility of the state in early nineteenth century United Provinces.

Growth of Modern Industry

The nationalists argued that Britain pursued a policy of free trade in India in order to promote the products of British industry in India. If India had been a free country it would have been able to industrialize behind tariff walls as the U.S.A. and Germany did in the late nineteenth century. R.C. Dutt, R.P Dutt and D.R. Gadgil made these arguments in a vigorous manner. The policies pursued by the British in India retarded the development of Indian industry indirectly by allowing the income and purchasing power of the country to stagnate. The colonial state did not in fact follow a policy of free trade because it promoted the interests of British industry by encouraging the cultivation of cotton in western India after the supply from America was cut off by the outbreak of the Civil War. The Government of India also gave a guarantee of a 5% rate of return on investments in railways, regardless of the actual returns on investment, to encourage British investors to put their money in Indian railways. According to Sabyasachi Bhattacharya [1965] the British followed a policy of 'discriminatory interventionism'.

After the First World War the government granted Tariff Autonomy to India. Following the publication of the Report of the Indian Industrial Commission in 1918 the state tried to encourage Indian industry by a more favourable stores purchase policy and guaranteed purchase of some steel rails from Jamshedpur for the railways. Clive Dewey [1978] regarded this trend as a major factor favouring indigenous enterprise. The policy of tariff protection did provide a measure of protection to Indian industry and cotton, steel, tinplate and sugar were among the industries that benefited by it as even A.K. Bagchi has acknowledged in *Private Investment in India, 1900-39*.

The pressure from the British business groups to promote British manufacturing interests in India did not disappear as a result of tariff autonomy. The government came up with a policy of Imperial Preferences to provide lower duties on imports from Britain and the Empire compared to the non-Empire countries like Germany, Japan and the United States. The idea came up in the 1920s and led to changes in policy by the 1930s. Basudev Chatterjee [1992] has presented detailed evidence on the long battle that the Lancashire industry fought to ensure that it was not squeezed out of the Indian market during the 1930s.

Colonial scholars and economists were apt to blame social and cultural values for the slow development of modern industry in India. Weber felt that Hindu religion and culture produced values that discouraged the development of capitalism and industry. Caste and religion hindered economic as well as industrial development. The leisure preferences of labour and reluctance to accept the discipline of industrial production created problems of the adequate supply of labour for modern industries. Indians were also lacking in what McClelland called 'achievement motivation'. The sociologists of the Chicago school offered sociological explanations for the lack of modern industrial development in the 1960s. In 1972 *Private Investment* emphasized that Indian economic development had to be explained in economic terms. The performance of industry in India could be understood in terms of economic variables alone.

The main argument of Bagchi was that the emphasis on supply side factors was misplaced and unjustified. The principal reason why Indian industry could not develop was because of the demand constraint or the limited size of the market for manufactured goods in the country. The level of industrial development was not limited by the supply of labour. Morris David Morris had argued earlier that there was no dearth of labour for the cotton mills of Bombay in *The Emergence of an Industrial Labour Force in India* [Berkeley and Bombay 1965]. However, the supply of labour for the tea plantations of Assam was a problem. This has been acknowledged even by recent studies like those of Ranjit Dasgupta and Rana Behal and Mohapatra [1992]. The imports of machinery too were not a serious problem and the industries were not held back owing to a serious shortage of capital and funds. The principal reason why industries could not grow during the period 1900-39 was the limited purchasing power of the people and the lack of effective demand for industrial products.

It has been argued that the level of industrialisation could have been higher if the country had tariff protection and if some of the equipments for the railway sector had been produced within the country. As Lehmann had pointed out in 1965 the Indian steel industry could have grown substantially if a certain proportion of the locomotives imported had been produced domestically. The backward and forward linkages of the Indian steel industry were limited and it struggled for survival till it received a measure of state support in the 1920s. During the Great Depression there was a slow-down in industrial activity in the developed capitalist countries, but it led to import-substitution industrialisation in India. Liberal and Marxist economists are in agreement on this though they use different conceptual categories to record this development. The liberals refer to the effects of protective tariffs, the relatively greater fall of agricultural prices during the depression, reducing the raw material costs of industry and increasing the purchasing power of fixed wage urban consumers. The Marxists refer to the crisis of capitalism and the breaking of links with imperialism and to the significance of the redeployment of merchant capital.

Colin Simmons [1985] and Amiya Bagchi both record the growth of Indian industries during the 1930s owing to the decline in imports from metropolitan countries. Levkovsky in *Capitalism in India,* [Delhi, 1966] and Dietmar Rothermund in *India in the Great Depression, 1929-39* [Delhi, 1992] have highlighted the manner in which there was a redeployment of merchant capital towards industries. Merchant capital, which had been engaged in the movement of agricultural commodities earlier, moved into petty commodity production and industry because the rate of return on investment now appeared adequate and foreign competition somewhat less severe. Christopher Baker in *The Imperial Impact* edited by Dewey and Hopkins had argued along these lines for the impact of the depression in Madras presidency even in the late 1970s.

The behavior of Indian merchant capitalists and expatriate businessmen has frequently been contrasted. Rajat Ray has pointed out that there has been a controversy about which of the two were used to a higher rate of return and therefore reluctant to invest in industry until the 1930s, when there was a decline of income for both groups because of the depression [Ray (ed), *Entrepreneurship and Industry in India, 1800-1947*]. The expatriate businessmen were used to high returns because of their dominant position in the export enclave and the merchant capitalists had derived substantial profits from financing the movement of commodities and from usury. The indigenous merchants were attracted to industry during the depression because of the shrinkage in opportunities in the agricultural sector and the possibilities of industrial investment in certain industries that opened up because of protection and decline in imports.

Several scholars have investigated the consequences of colonialism for the development of Indian business groups. The earlier nationalist scholars believed that there was a sharp negative impact of colonialism on indigenous business groups in the early years of colonial rule. The monopolies created by the East India Company, the Agency Houses and subsequently the Managing Agencies played a major role in the Indian economy and dominated that of eastern India. This reduced the opportunities for the indigenous mercantile community. The decline of the indigenous mercantile community was far greater in eastern India than it was in western India as pointed out by scholars like Bagchi and Tripathi. In *The Oxford History of Indian Business* Dwijendra Tripathi has covered several of these issues.

Rajat Ray has drawn attention to the role of the *bazaar* economy or the indigenous sector of the economy in a few articles. In the *Modern Asian Studies* in 1995 he argued that the migration of Indian merchants to East Africa and West Asia and to Hong Kong, Burma and Malaya within the British Empire helped Indian mercantile groups to grow and accumulate capital in the informal sector of the economy. The Gujaratis, Memons, Nattukottai Chettiars were able to accumulate capital which they subsequently used to invest in India as well as overseas. Claude Markovits in *The Global World of the Indian Merchants, 1750-1947* traced the migration of the Shikarpur Sindhi merchants to Central Asia and Sindhis from Hyderabad to Egypt and Europe and their fanning out from Panama to Japan. Colonialism permitted the limited accumulation of capital within the informal and agricultural sectors of the Indian economy. Omkar Goswami has drawn attention to the manner in which Marwari merchants engaged in the jute trade in eastern India were able to acquire both the capital and the knowledge required to try and buy out the shareholders of the jute mills of Calcutta during the 1930s. The Marwaris were moving from trade to industry in Bengal in the 1930s. The 1930s witnessed the movement from trade to industry in several parts of the country.

The Second World War gave a great boost to industrial production in India. The wartime demand for the products of industry boosted output but restrictions on the use of foreign exchange and difficulties in the supply of machinery from Britain meant that the installed capacity of the Indian industrial sector could not be increased. Industrialists amassed huge profits during the war and nursed ambitions of embarking on new projects in the post-war period. The businessmen came up with the Bombay plan for India's industrialisation based substantially on the private sector. The Government of India and the Congress party were more concerned with a mixed economy, supportive of nationalisation of some industries and a strong role for the state in the economy.

Although the industrialisation of the country was never the purpose of British rule in India during the closing years of colonial rule British private business groups and companies were willing to assist in India's industrial development. Some experts have attributed this to the changing relationship between Britain and India. Aditya Mukherjee, while recognizing this new trend, argues that it was the outcome of anti-imperialist struggles and not the magnanimity of the colonial rulers.

Money and Finance

The critique of colonial rule that achieved great popularity with Indian nationalists focussed on the tariff policy of the government – the policy of free trade imperialism during the nineteenth century and the policy of limited protection and Imperial Preferences during the inter-war period. In the 1920s and 1930s there was also a discussion of the rupee-sterling exchange rate and the negative consequences of the high exchange rate. It was argued that fixing the rupee at one shilling and six pence instead of one shilling and four pence was harmful to Indian economic interests. The higher exchange rate would reduce the earnings of agriculturist exporters who would get 12.5% less in terms of rupees for the produce that they sold.

The nationalists argued that the benefit of cheaper imports, as a result of the higher exchange, would not benefit the masses as they consumed only 10% of the imports. The upper estimate was 40%. Representatives of business like G.D. Birla, Purshottamdas Thakurdas and B.F. Madon were aware that a lower ratio, though it would adversely affect the importers was not in the larger interests of the country. The agriculturists, exporters and debtors would be adversely affected by the higher ratio though it would help the importers and creditors. It would also increase the real burden of debt in the countryside.

The nationalists also criticized the argument that the higher ratio would lighten the burden of sterling obligations or improve the revenue position of the government, as it would be able to meet its remittance requirement with fewer rupees. Aditya Mukherjee has argued in *Imperialism, Nationalism and the Making of the Indian Capitalist Class, 1920-1947* [Delhi, 2002] that the Indian capitalists criticized this argument in the same manner as Dadabhai Naoroji had in the late nineteenth century. Naoroji had argued that the burden of the sterling obligations could be reduced only if gold prices were to fall. The burden could be reduced only if the same amount of gold could be procured by exporting less produce. Bipan Chandra too had cited Naoroji's views in this regard in his book on economic nationalism. B.F. Madon pointed out that India paid for its sterling obligations through commodity exports and not in rupees. As far as the amount of sterling obligations and the produce necessary to meet them were concerned, it did not matter whether the exchange rate was one shilling six pence or one shilling four pence.

In *John Bullion's Empire* [1996] G. Balachandran has argued that the rupee-sterling ratio was not as much of an issue as some of the nationalists had argued. The colonial government did want to encourage cotton imports into India and to restrain efforts to put up barriers against British imports. However, the primary objective of British officials was to reduce imports of gold into the country rather than to increase imports of cotton cloth. Further, cotton imports were encouraged mainly to ensure that gold imports were reduced. With a rupee revaluation all cotton imports into India would become cheaper, not only the products of British industry. In so far as revaluation led to depressed incomes both cloth and gold imports would be adversely affected. Balachandran argues that until the depression the nationalists failed to link the issues of trade and liquidity. Their espousal of a lower exchange rate appeared to be a case of special pleading because of this failure.

According to Balachandran the principal objective of British policy was to prevent the outflow of gold to India that could adversely affect the position of the pound sterling after the First World War. The attempt to stabilize the currency at 18 pence led officially to a decline of 120 million rupees in terms of coins and notes during the 1926/27 busy season. The true extent of the contraction was probably as high as 220 million rupees. The need to preserve the high exchange rate led to monetary contraction. Indian trade surplus halved between 1925/6 and the two years thereafter. Indian gold imports declined from 52 million pounds in 1924 to 15 million pounds per year on an average between 1926-1929. It was as a result of these policies that the expansionary effects in the world economy after the mid-1920s bypassed India.

During the depression the pro-cyclical macro-economic policies of the government led to sustained gold exports from India. These gold exports were important for Britain's balance of payments. Indian gold exports had an expansionary influence globally as Keynes had prophesied much earlier. Without the inflow of gold from India the British economy would have been vulnerable to competitive American depreciation. Britain was thus able to use private Indian gold reserves as an important contra-cyclical device during the depression. Mukherjee, Rothermund and Balachandran have criticized the negative consequences of the deflationary policies that the British government pursued in India.

R.P. Dutt in *India Today* had argued that the crisis of capitalism during the depression and the Second World War had reduced the importance of the Indian market for British business. He had also highlighted the struggle of the Indian people against colonial rule. Tomlinson in *The Political Economy of the Raj, 1914-47* argued that the decline in Britain's economic stake in India, because of the progressive shrinking of the Indian market for British exports, made it easier for the British to make the decision to quit India. In both the early Marxist and the liberal perception the economic value of India during the inter-war period, from the British standpoint, declined slowly but steadily. On his part

Balachandran has argued that Britain derived tremendous benefit during the inter-war period from the control over Indian currency and exchange. Although the value of India as a market for Britain's staple industries was declining during the interwar period Britain was able to manipulate Indian monetary and currency policy to promote British economic interests. The liquidation of private Indian gold reserves helped to shore up the position of the pound sterling and to make the Sterling Area of the 1930s a viable proposition.

In their wide-ranging survey of the British Empire Cain and Hopkins argue that the competitive advantage of Britain lay in finance rather than industry after the First World War. Therefore it made sense for the 'gentlemanly capitalists' who controlled the British state to attach greater priority to overseas financial interests rather than markets for industrial goods. The decision to protect the position of the pound sterling as an international currency and to create the Sterling Area represented the dynamism rather than failure of British capitalism. The empire helped Britain maintain its position as the provider of finance and services. The manipulation of the monetary and exchange policies of India helped in sustaining the British economy. Unlike other economists, who believe that the cushion for Britain's industrial exports provided by the empire hastened its industrial decline, Cain and Hopkins argue that the empire helped Britain maintain its position as the supplier of finance and services. The British economic stake in India had not declined as much in the inter-war period as the scholars had argued earlier. The process of winding up the empire, at least in India, cannot be explained in terms of a steady decline in Britain's economic stake in the inter-war period.

2.4 NEW TRENDS

Labour

The recent works in economic history has been exploring themes that were not completely absent in earlier studies but did not produce a substantial body of work. Chandavarkar, Chakravarty and Clark have explored the role of labour and the working class over the last decade or so. The high proportion of casual workers in the industrial workforce of Bombay in the early twentieth century can be explained in terms of the preference of the owners and the managers of enterprises. Chandavarkar has argued in *The Origins of Industrial Capitalism* [Cambridge, 1994] that managers chose to have a large temporary workforce in order to control variable costs in a climate where there were fluctuations in demand. It was not the lack of commitment of the workers but the attitude of management that was responsible for a large casual labour force. On the other hand Wolcott and Clark have argued [1999] that the performance of cotton mills in the 1930s was affected by the inability of managers to bring down nominal wages in the depression years when the real wage had risen. Industrial competitiveness was hampered by the inability of management to bring about a downward adjustment in nominal wages. The opportunity costs of labour were not very high in the 1930s and therefore Wolcott and Clark argue that industrial wages were higher than they should have been. The argument can also be understood in terms of the worse economic conditions in agriculture during the depression as has been pointed by several studies. This appears a reasonable response to the argument of Clark since the wages of agricultural workers were used to estimate the opportunity cost for the mill workers.

In *Rethinking Working Class History*, *Bengal, 1890-1940* [Princeton and Delhi, 1989] Dipesh Chakravarty argued that since the mill owners did not provide basic amenities to the workers jobbers played a significant role not only in providing employment but also housing, provisions and patronage. In the absence of modern bourgeois values the workers did not produce stable trade unions. Only in periods of strikes and struggle did the workers join the unions in large numbers. Once the movement had subsided, regardless of whether it had been successful or not, the unions collapsed. The values of the workers were not shaped by ideas of class and even the leaders of the jute workers, who often came from middle class and radical backgrounds, referred to workers as the underprivileged and the poor, the *daridra-narayan*, rather than the proletariat. Patrician values influenced the attitude of the leaders from outside the working class.

There have been studies of the emergence of landless agricultural labour from the standpoint of ideology as in *Bonded Histories* by Gyan Prakash. In this study of the emergence of landless labour in Gaya and Shahabad districts of Bihar the origin myths of the bhuinyans were explored as well as the changes in their economic situation over time. *Lorik* literature, spirit cults and *kamia-malik* relations were explored in both economic and anthropological terms. Dharma Kumar in *Land and Caste in India* pointed out the emergence of a landless labour force in India, even in the pre-colonial period, as early as 1965. She argued that despite the availability of cultivable land a class of landless labour existed in the early nineteenth century in Madras presidency because of caste restrictions that prevented lower caste groups from cultivating land on their own. The role of gender was explored in Sen's study of the jute industry.

The role of caste in relation to the performance of artisanal work has been explored in several studies. A class of people engaged in the production of household utensils became more prominent in Bengal in the 19th and early 20th century. The demand for bronze/copper vessels increased after the import of imported metal sheets made it possible to produce utensils of good quality at a reasonable price. The *kansarias* became a more numerous caste as many were attracted to this occupation. Tirthankar Roy and Harnetty have pointed it out that skilled artisans like the Padmasalis and Momins preferred to carry on with artisanal production rather than accept low skilled jobs in industry or work as agricultural labour. They managed to survive by adopting techniques suitable for enhancing productivity. Gyan Pandey explored the connection between the decline of artisanal production and communal attitudes in the United Provinces in his study of the '*bigoted julaha*.'

Irrigation

The study of irrigation and forests has always been important from the standpoint of economic and social history. Although a lot of work had been done on the various economic aspects of irrigation by agronomists earlier the matter has received more attention from the standpoint of caste, ecology and technology. Although Elizabeth Whitcombe had drawn attention to the harmful effects of overuse of irrigation water by peasants and the blocking of drainage channels by rail and road development. Ian Stone had brought out the overall beneficial consequences. In *Canal Irrigation in British India: Perspectives on Technological Change in a Peasant Economy* he brought out the fact that the higher level of agricultural development in the western districts of the United Provinces as opposed to the eastern districts accounted for the difference in the economic dynamism of the two regions.

Imran Ali in *The Punjab under Imperialism, 1885-1947* [Delhi, 1989] brought out the connection between irrigation, colonisation and military recruitment in the Punjab from the late 19th century onwards. The creation of Canal Colonies played an important role in reducing congestion in the heavily populated areas of Punjab and for some time widening the support base for colonial rule. The rural-urban divide in the Punjab could not have been possible without the role of irrigation and colonisation. Gilmartin [1995] has argued that the colonial state tried to incorporate indigenous local and 'natural' communities into a larger scientifically defined hydraulic environment. In the process of doing so the colonial state undermined the local environmental foundations of the local communities it claimed to rely on. Many movements of cultural and political reform in the rural areas were coordinated responses to both state policy and environmental transformation in the Indus Basin. Economic historians like Mufakharul Islam [1997] focus on technological and economic change in Irrigation and Agriculture in the Punjab. Islam and Mukherjee do not accept that the long term benefits were substantial. *A Century of Change* examines social and economic change in the irrigated areas of the Madras presidency. Yanagisawa argued that there was a decline in the ownership of land by the upper caste Brahmin groups over a period of time.

The ecological context of agricultural production has been explored in several studies. In *Peasant Labour and Colonial Capital*: *Rural Bengal Since 1770* [Delhi, 1993] Sugata Bose had argued that the eastward movement of the Ganges river over time produced the rich alluvial delta of East Bengal. The rich soil enabled the smallholding peasantry to engage in jute cultivation successfully year after year. The crop had a ready market and despite the dominant position of the merchants yielded an adequate income in cash. The cultivation of jute was a survival strategy for the peasantry since it yielded an adequate income from tiny plots of land. The eastward movement of the Ganga and the blocking of the natural drainage channels owing to the building of railway tracks and embankments in western Bengal led to the spread of malaria. Goswami in *Industry, Trade and Peasant Society*: *The Jute Economy of Eastern India, 1900-1947* [Delhi, 1991] has argued that during the first two decades of the twentieth century the jute cultivating peasantry did prosper from successful production for the market. In the account of the comparability of the living standards of weavers in late18th century Britain and South India Parthasarthy emphasized the productivity of agriculture in the *Past & Present* of 1998. The production of substantial output, based on the natural fertility of the soil and double cropping, enabled Indian weavers to maintain an adequate standard of living.

Environment and Forestry

In recent years the study of forests, tribes and ecological change has become important for economic and social historians. Ramachandra Guha studied the chipko movement in the Garhwal Himalayas in *The Unquiet Woods* [Delhi, 1989]. Although this was not the first study of popular protest against forest policies and felling of trees it was important in the rise of environmental history in India. *This Fissured Land: An Ecological History of India* in 1992 by R.Guha and Madhav Gadgil in *Nature, Culture, Imperialism* edited by David Arnold and R. Guha in 1995 are important contributions to the subject. Several scholars including David Hardiman, Ajay Skaria and Sumit Guha have explored the relationship between forest people, settled agriculturists and the colonial state.

Some of the issues of tribal protest and reactions against the patterns of colonial forest use had emerged even earlier in scattered studies. Ranajit Guha's *Elementary Aspects of Peasant Insurgency in Colonial India* [Delhi, 1983] and the volume edited by A.R. Desai entitled *Peasant Struggles in India* [Bombay, 1979] had also referred to tribal movements and their response to colonial policies, both economic and political. The protests by Santhals, Mundas and Oraons were also incorporated in the history of anti-colonial struggles by Shashi Bhushan Chaudhuri in his study of civil rebellions and popular protest before the Revolt of 1857 and by Kumar Suresh Singh in his study of Birsa Munda.

The substantial study of the interaction of tribal groups to settled agriculturists and centralizing states adjoining forest polities has been studied by Ajay Skaria in *Hybrid Histories: Forests, Frontiers and Wildness in Western India.* The sharp distinction made between tribal groups and a settled agricultural community is not historically justified. The difference between the *dang*, the *desh* and Gujarat was not very substantial. The people of the plains and the Dangs in western India frequently left land fallow, moved to areas where more land was available, abandoned villages when the rulers became oppressive, and moved from field to field within the same village. Skaria goes so far as to argue that the *giras* claimed by the forest chiefs was like the *chauth* claimed by the Marathas. Both were sustained through raids and were about shared sovereignty. The movement of communities, like the Konkanis and the Bhils, between the forest and the plains also accounted for the physical and cultural similarities of the two regions.

The role of forest polities was substantial in the western region where there were a number of small states. In *Ethnicity and Environment in India* Guha takes a long term view of the changing relationship of the tribal and peasant societies and polities of western India from the pre-colonial to the late colonial period. It reinforces recent work that argues that the tribal and forest people were never isolated and primitive groups. In fact the decline in the status of several tribal groups was the product of changes during the colonial period. Bhil chiefs played a substantial role in supporting or threatening the position of smaller states. Bhils and Rajputs were not as sharply differentiated in the pre-colonial and early colonial period. Rajput chiefs were willing to enter into matrimonial alliances with powerful Bhil lineages. By the 20th century the position of the Bhils had declined.

The object of British policy was to exploit the natural resources of India and to develop the colony as a useful adjunct to the British economy. The establishment of colonial rule in the *Doab* in 1801 led to the destruction of the ecology of the region within thirty years.

The destruction of the thick forests in the central and lower Doab, in the region between Delhi and around Kanpur, led to climatic change. The severe drought of 1837-38 was a product of natural and man-made causes. Deforestation made the pre-monsoon winds hotter and led to soil erosion, drying of the river sources and the warming of the soil. Salinisation led to the abandonment of whole villages. Intensive farming and deforestation led to the decline in yields during this period [Michael Mann, 'Ecological Change in North India: Deforestation and Agrarian Distress in the Ganga-Yamuna Doab, 1800-1850', in Grove, Damodaran and Sangwan (eds), *Nature and the Orient,* Delhi, 1998].

Skaria takes a position on British forest policy that does not accept the viewpoints of either Guha or Grove. While the former argued that scientific forestry in India was nothing more than commercial forestry, Grove argued that desiccations ideas about the need to conserve forest cover to prevent droughts and soil erosion shaped official forest policy. Rangarajan argued that some of the differences between the two perspectives could be understood in terms of the different time periods that the two authors explored. Grove's analysis was for the mid-nineteenth century while Guha explored the period from the late nineteenth century onwards. According to Skaria forest policy was a product of both desiccationism and commercial considerations and the concern for the 'rational use' of forests. Scientific forestry was not merely the logical culmination of imperial desiccationism, but by the early twentieth century it helped in securing some of its objectives. Teak became dominant in the Dangs forest, but not to the extent *chir* trees became dominant in the Kumaon region. The policies of the period have been characterized as a form of green imperialism because they worked against the interests of the poor local communities that lived in and around the forest.

In an article in 1987 C.A. Bayly observed that there was a process of peasantisation of nomads in the nineteenth century. This formulation denies the traditional argument about the proletarianisation of peasants. Neeladri Bhattacharya [1995] has argued that both the viewpoints assume that the process of commercialisation of agriculture and agrarian expansion led to the transformation of vulnerable indigenous groups. In one account the peasants become paupers and in the other the nomads become peasants. The transformation in fact was far more complex since pastoralists turned to cultivation, trade and wage labour. Others tried to continue with their pastoral activities despite the changing legal and social context in which the state claimed forests and 'wastes' as state property. The pastoralists, who had both collective and segmented rights to use pastures based on a *pattah* in the pre-colonial period, had to pay grazing dues to the state which rose over time during the colonial period.

There was a relationship of interdependence that developed between the pastoralist and agrarian zones in the Punjab. While the Canal Colonies and the central Punjab zone provided foodgrain and fodder to the pastoral zones the south-east semi-arid zone provided the bullocks for ploughing and drawing of water from wells. The pastoralists retained their cows for breeding and for the milk that they provided. As the colonial state developed its regime of property on the basis of agricultural property rights the rights of the nomadic pastoralists became increasingly incomprehensible and illegitimate. Over time the enclosure of forests and expansion of acreage led to a crisis in the pastoral economy and to soil erosion and shrinking of pasture land that was overgrazed. The rights to use forest and pasture declined and the agricultural sector too suffered because of the decline in the availability of manure and plough cattle.

Women in the Colonial Economy

Environmental history has attracted a lot of attention since the late 1980s. The study of women in the economy has yet to attract the same sort of academic attention. The enormous growth of women's study has been focussed on questions of culture, literature, education and legal rights. There are some studies that explore the role of women in the productive sphere of the economy, like *Women in Colonial India: Essays on Survival, Work and State* edited by J. Krishnamurthy, but there are few major texts. The role of women in the traditional industry of India has been the subject of study for quite some time. The role of the women in spinning, basket weaving, rope making, pottery et al. has been the subject of mainstream economic history as well. The role of women spinners in the 19th century and the classification of female workers in the Census of India reports formed a part of the debate on deindustrialisation in the works by Thorner, Bagchi and Marika Vicziany. The discussion of the concept of full time job equivalent or FTJE would not have emerged but for the role of part time workers in the secondary sector. Many of these casual or part time workers were women.

The Factory Acts of the 1880s did not have any impact on the pattern of employment of women workers in factory employment. According to Morris the proportion of women and children combined in factory employment hovered around 20% during the 1892-1946 period [*CEHI* Vol. II. P. 645]. On the other hand Chandavarkar had argued in *The Origins of Industrial Capitalism* that the inflow of female labour into the Bombay mills was indeed restricted by the Factory Act. The period 1871-1921 was marked by high mortality rates throughout the country. The mortality of females was higher than that of males in this period. This can be attributed to the lower life expectancy at birth of females in both the colonial and pre-colonial period according to Pravin Visaria in the *CEHI,* Vol. II, pp. 498-500]. In the northern region the deficit of females was as high as 15% in some areas. This was substantially influenced by female infanticide and by marriage practices.

The role of women in agriculture is undeniable and has been acknowledged in the literature. Bina Agarwal [1994] has explored the attitude towards women with regard to land rights and property rights. However, most studies bring out the role of women in broadcast sowing, transplanting of rice, the task of threshing of the crop, work in the production of household goods and handicrafts. There are few substantial texts devoted to the study of women workers although their role in peasant and tribal movements has been the subject of several studies. Samita Sen [1999] and Chitra Joshi [2002] have explored the role of women in the jute mills of Calcutta and the cotton mills of Kanpur. On the whole the role of women in the economy of the colonial period needs more detailed exploration. In the literature of the post-independence period the participation of women in the economy as well as in the environmental movement has been studied with greater vigour and enthusiasm.

2.5 SUMMARY

The British colonial scholars were proud of the achievements of the British Empire in India. The nationalists were sharply critical of the negative consequences of British rule for the Indian economy. British rule did not modernize India and the drain of wealth from India impoverished the people. The Marxists developed their critique of colonialism in terms of a certain understanding of capitalism and phases of capitalism. The arguments of colonial as well as neo-liberal economists are not acceptable to Marxist scholars. Nevertheless some of the arguments of the left nationalist school are not as convincing today in the light of new works.

The eighteenth century is no longer a period of decline and decay. The economy was growing and the political turmoil did not lead to economic decline. There were negative trends in the Indian economy during the nineteenth century – deindustrialisation, drain of wealth, and increase in famines. The Indian economy made some progress in the twentieth century in terms of industrial growth. Recent works on the Indian economy are concerned with issues of environment, labour and gender. The linkages of the economy with society and the environment have become more important in recent times.

2.6 EXERCISES

1) Give a critical account of the major trends in colonial historiography.
2) Discuss the Marxist interpretation of the colonial viewpoint. Evaluate the neo-liberals' critique of Marxist historiography.
3) What are the dominant features of the 19th century colonial economy?
4) In what ways was commercialisation of agriculture based on a system of economic compulsions and physical coercion?

5) Give a historiographical sketch of the economic impact of colonial rule.
6) Discuss the new historiographical trends in the study of the economic history of the colonial period.

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