

Working Paper No. 14/05

**In What Way, and to What Degree, Did the
Mughal State Inhibit Smithian Growth
In India in the Seventeenth Century?**

Frank W. Ellis

© Frank W. Ellis
Department of Economic History
London School of Economics

May 2005

千年之求索

This paper was originally written and submitted as a dissertation in partial fulfilment of the MSc Global History (LSE)

For more information about the participants and activities of GEHN, go to: <http://www.lse.ac.uk/collections/economicHistory/GEHN/GEHN.html>

Department of Economic History
London School of Economics
Houghton Street
London, WC2A 2AE

Tel: +44 (0) 20 7955 7860
Fax: +44 (0) 20 7955 7730

In What Way, and to What Degree, Did the Mughal State Inhibit Smithian Growth in India in the Seventeenth Century?

Frank W. Ellis

Abstract

The nature of the seventeenth-century Mughal state and its land revenue taxation system has become a matter of controversy in recent years. Irfan Habib and his followers dominated thinking on this subject from the sixties onwards. They saw the regime as highly centralized and essentially extractive in nature. The land revenue system was designed to extract the whole surplus, leaving the peasants immiserated. Trade was sterile in that it was state inspired, and required to meet the cash demands of the tax system. 'Natural' commerce and Smithian growth scarcely existed, since there was no surplus after the state had taken its share.

This view has been challenged by economic historians such as Frank Perlin, David Washbrook and Sanjay Subrahmanyam, who believe that much of the revenue was redistributed back to local interests, and that there were thriving regional and, for some goods, national markets. They also think that central control was weak in many areas, especially southern India, and that the proportion of agricultural produce actually collected was much less than claimed by Habib.

The dissertation looks firstly at the evidence that the state extracted the whole surplus, and in particular at a statistical study by Shireen Moosvi, based on source data from the A'in-I Akbari. The quality of the source and the internal consistency of Moosvi's calculations are examined, and the conclusion reached is that the peasants could not have paid at the level hypothesized.

The second part of the study is particularly concerned with the growing spatial division of activity, characterized by free market exchange, because if this was happening then Smithian growth was underway. This section looks at merchants and credit institutions, external and internal trade, and revisionist thinking. The associated subjects of transportation and the structure of the textile industry are also touched upon.

The overall conclusion is that while some agricultural production was consumed by the peasants and so did not enter the market, and much was doubtless exchanged to meet revenue demands, there was also a commercial economy, which may well have borne comparison with pre-modern Europe and China.

1. Introduction

Much has been written about the Mughal Empire during the last forty years but three areas have predominated. The patterns of external trade under the influence of the Portuguese, Dutch and English have been extensively studied, as has the Indian economy in the pre-colonial century. But at least as important as these has been the nature of the Mughal state and its land revenue taxation system.

State formation

Charles Tilly's view of state formation drew on the theories of William Skinner regarding the development of the social geography of China. Skinner saw this development as the interplay of two sets of forces. One emerged naturally from economic exchange, centred on larger and larger market areas, contributing to the growth of towns and cities. The second, imposed from above, consisted of a hierarchy of political and civil jurisdictions.¹ The bottom-up was based on trade and capital; the top-down on political coercion. Coercion depended on armed force; capital and capitalists could exist in the absence of capitalism, capitalists manifesting themselves as merchants, entrepreneurs and financiers. For Europe Tilly built on this insight applying it to state formation, and adding to coercion and capital such factors as preparation for war and position within the international system.

The Tilly/Skinner insights may also be relevant to Mughal India which, after China, was the largest agrarian empire in the pre-modern world. In many ways the controversy that we are about to discuss can be portrayed as differing views of the relative weights of coercion and capital on the Indian sub-continent in the seventeenth century.

¹ C. Tilly, *Coercion, capital and European states*, (Oxford 1990) p127

The academic controversy

The Aligarh Muslim University in Delhi provided the leading academic thinkers on the land revenue taxation system, among them Irfan Habib and Shireen Moosvi. Relying heavily on Persian documentation they see the Mughal Empire as highly centralized and absolutist. They also see it as essentially extractive in character, taking the entire surplus. “The Mughal state was an insatiable Leviathan”.² The result according to this school was a peasantry consistently reduced to subsistence. The surplus extracted was used unproductively by the governing elite and consequently Smithian growth was stifled, as were moves towards capitalism.

Commercialization was one-way from villages to towns, and was forced by state taxation demands. Since there was in effect no surplus left after the state had taken its share, it could scarcely be otherwise.

This thinking is now being challenged by historians such as Frank Perlin, David Washbrook and Sanjay Subrahmanyam. They believe that much of the revenue was redistributed back to local interests and that there were thriving regional and, for some goods, national markets. They also think that central control was weak in many areas, and that the proportion of the gross agricultural produce actually collected was significantly less than claimed by the Aligarh school.

Jack Goody finds much to agree with in Perlin’s work. “It is important not to primitivise the pre-colonial Indian economy; there was much more than shoots of mercantile ‘capitalism’”.³ C.A. Bayly agrees with Perlin that there were changes from the sixteenth century onwards in India’s society and economy, but is cautious about the extent of change. “By contrast to the

² T. Raychaudhuri “State and the economy: The Mughal empire”, *CEHI*, V1, p173, (Cambridge 1982)

³ J. Goody, *East in the West*, (Cambridge 1996) p.111

sophistication of money and produce markets, land and labour markets were not well developed.”⁴ The debate continues.

Importance to global history

This is an important issue in economic history, covering a geographical area which may have contained a quarter of the world’s population in 1600. Estimates vary, but Maddison assumes 135m in 1600 – 24% of his world population estimate.⁵ It provides a further perspective on the Great Divergence debate, potentially adding another major Asian player alongside China, and it also throws further light on the Indian economy under British rule. Without knowledge of the preceding economy it is impossible to fully grasp how India was affected by colonialism. These are all areas of interest to global history.

Smithian growth

Adam Smith’s main concern in *The Wealth of Nations* was the determination and establishment of the conditions of economic growth. The division of labour and gains from trade were at the heart of his thinking. He allows for some contribution from technology, but mainly sees economic development as coming about through market integration for commodities, capital and labour. This market integration was likely to be both within a country and also as a consequence of international trade. The process promotes commerce and helps accumulate capital. It usually results in moderate population growth, rising income per head and increasing urbanization. E.A. Wrigley points to the relationship between urbanization, economic growth and population increase, noting that Smith identified trade between town and country as “the great commerce of every civilized

⁴ C.A. Bayly “State and economy in India over seven hundred years” *EHR* 38/4 (1985) p587

⁵ A. Maddison, *World economy*, (OECD 2001) p241

society.”⁶ Smith also stressed the strategic importance of good transportation and distinguished between productive and unproductive use of any agricultural surplus. He provided a clear route by which a pre-industrial economy could increase its wealth. Regional specialization, good transportation, vigorous trade and an increasingly strong merchant class are all indicators of Smithian growth.

Broad approach

The broad approach taken has been an extensive review of secondary sources. The scope of this study does not permit coverage of all the areas of evidence concerning a general hypothesis which has dominated the literature of pre-modern Indian economic history. Such areas would include a review of Habib and Moosvi’s statistical evidence, together with an assessment of a wide range of indicators of Smithian growth, such as internal and external trade, the activities of merchants, industry and technology, monetization, urbanization and population.

This dissertation will therefore concentrate on four topics. The Moosvi/Habib case will be evaluated, as will merchants and credit institutions in seventeenth century India, together with internal and external trade. Finally revisionist thinking will be covered. Some of the other areas mentioned above will be touched on also, but necessarily very briefly.

2. The Extractive State

The Land Revenue and other taxes

That the Mughal Empire was essentially agrarian is not in dispute. The Timurid dynasty’s wealth and power was based upon its ability to tap

⁶ E.A. Wrigley, “Brake or Accelerator,” *Urbanization in history*, ed A.D. Van der Woude, (Oxford 1990) p104

directly into the agrarian productivity of the Indian sub-continent.⁷ Trade, manufacture and other taxes were much less important to the imperial revenues than agriculture, most estimates putting them at less than 10% of the total.

Regarding the weight of taxation, Richards's view is that food grains, such as rice and wheat, were taxed at around one third of the harvest, while cash crops such as tobacco, vegetables, sugar and indigo, which imperial officials wanted to encourage, were taxed at about one fifth. Habib, Moosvi and others believe that the state took a much higher proportion of the harvest, up to a half or more. Additional imposts and costs of collection may have added as much as 25% to this. In zamindar areas (local rural aristocrats, usually Hindu) there were further imposts over and above all of these.⁸ This latter view has been enormously influential and must be examined in detail, because if true it greatly supports the argument that the aim of the state was to tax away the entire surplus, leaving the peasant at subsistence level, and impairing Smithian growth.

The fiscal system

The fiscal system depended on land revenue demands, which combined rent and taxes. These are said to have "acted like a giant pump that pulled food-grains and other crops into the market system and made the surplus available for the state and for urban populations. Coin paid by grain dealers and traders for agricultural produce flowed into the countryside temporarily. Cash obtained by rural society rapidly flowed out, partly in the form of market purchases of salt, iron and other commodities and as tax payments to imperial treasuries."⁹ The state maintained an imperial household (about 5% of the budget in 1595/6), but the majority of the tax

⁷ J.F. Richards, "Fiscal states in India over the long-term: sixteenth through nineteenth centuries". Unpublished paper, 2001. p4.

⁸ T. Raychaudhuri, op. cit., p173

⁹ J.F. Richards, op.cit., p4

revenues went in cash payments to the central military establishment (about 9%) and the salary bill of the mansabdars (the Mughal nobility who needed around 80%).¹⁰ They in turn had to maintain an agreed military force, and to undertake civil duties. Rather than receiving cash payments from the treasury the mansabdars obtained salary assignments (jagirs) that permitted them to collect the assessed land revenues from specified areas and districts.

To collect the tax the Mughals mainly used the zamindars, who received an allowance of about 10% of the land revenue which they collected. A zamindar's domain could be just a few villages or a hundred or more.

The empire in northern India was divided into territorial units (parganas), each containing from 20 to 100 villages together with associated market centres and small towns. A leading zamindar was in charge of revenue collection in each pargana and an accountant was also appointed. There were similar appointments of headman and accountant for each village. Their lands were tax-free and they received about 2% each of what was collected. Very importantly the land revenue was demanded in cash. (The basic coin was the copper dam, with forty dams the equivalent of a silver rupee.)

The land revenue assessment, devised in Akbar's reign, was based on cadastral surveys which determined, field by field, the cultivated area, the crops grown, the average yields and the market prices for the spring crop (kharif – usually grains), and the autumn crop, (rabi – usually containing more cash crops). Whether or not the land was irrigated was taken into account. From all of this data the officials calculated a separate assessment for each field and summed these to come up with village quotas.¹¹ India consisted of tens of thousands of villages across an area the size of Western

¹⁰S. Moosvi, *Economy of the Mughal empire c1595*, (Delhi 1987) p270

¹¹ J.F. Richards, op. cit., p4

Europe, containing perhaps one quarter of the world's population. It was expanding by warfare and diplomacy, taking into the empire one state after another, and it was governed by an early-modern regime with all the limitations of that period. Imposing such a taxation system and keeping it up to date would be a demanding task for a modern regime, and it has to be questioned whether this system was in effect an ideal, within a different reality, especially outside the Mughal heartlands in the frontier provinces.

The A'in-i Akbari

Fiscal data for the Mughal Empire is both scarce and unsystematic, so to what do we owe this information? By far the most important source is the *A'in-i Akbari*, written in Persian by Abu'l Fazl. It is part of a larger work, the *Akbarnama*, written on the orders of Akbar, who wanted a record of his life and achievements. The first two volumes cover the events of his reign, and also those of his grandfather, Babur, and his father, Humayun. The third volume covered the Sacred Imperial Regulations, and its subject was the organization of the court, the administration, the army, the geography and the people he ruled. This third volume consists of five books, and includes information on the taxation system, such as revenue rates by geographical area. W.H. Moreland described the *A'in-i Akbari* as a "hastily edited collection of official papers."¹² Shireen Moosvi disagrees and speaks of "the author's obvious concern with the maintenance of precision and accuracy."¹³ Unfortunately this did not extend to the period to which the statistics refer. Moosvi justifies 1595/6 as the most appropriate year, although acknowledging that some data relates to earlier and later years.¹⁴ There is no doubt that this body of work is the richest source available on the Mughal empire's economy at the end of the sixteenth century, since it contains

¹² W.H. Moreland, *Agrarian system of Moslem India* (Cambridge 1929) p81

¹³ S. Moosvi, *op.cit.*, p5

¹⁴ *Ibid*, p5

information on the extent of cultivation by area, on crops, yields and prices for the preceding 19 years. There is information on the land revenue demand and collection, but it is far from complete, and the land revenue system, as described in the *A'in-I Akbari*, refers only to the eight main provinces of northern India, the Mughal heartlands.

Irfan Habib's influence

In 1963 Irfan Habib published *The Agrarian System of Mughal India*,¹⁵ which was followed in 1969 by his article on "The Potentialities of Capitalistic Development in the Economy of Mughal India."¹⁶ This article relies heavily on the 1963 book, which makes extensive use of the *A'in-I Akbari* for quantitative purposes. Habib puts forward the view that capitalism involves accumulation, which essentially is possible only at a surplus level of a certain magnitude.¹⁷ In the case of Mughal India for all practical purposes this concerned the level of agricultural production, the level of appropriation and how it was distributed. He states that the land revenue share of the crop varied between one third and one half, according to fertility.¹⁸ On top of this the zamindars' share amounted nominally to 10% of the land revenue in northern India and 25% in Gujarat.

According to Habib, this whole system led to intensifying pressure on the peasantry because the Mughal system relocated the nobility's jagirs every three or four years to prevent local power bases being built up. Thus "individual revenue assignees could have no interest in the long-term maintenance or growth in the revenue-paying capacity of any particular area."¹⁹

¹⁵ I. Habib, *Agrarian system of Mughal India, 1556 –1707* (New Delhi, 2nd ed 1999)

¹⁶ I. Habib, "Potentialities of capitalistic development in the economy of Mughal India", *JEH*, v29/1, 1969.

¹⁷ *Ibid*, p34

¹⁸ *Ibid*, p38

¹⁹ *Ibid*, p40

Part of this land revenue would remain in rural areas (shortfalls in collection, remissions, concessions and commissions etc) but the total net amount of produce lost to the countryside must have been from a quarter to a half.²⁰ This was a huge drain and Habib believed that the overall result was extreme poverty and immiseration of the peasantry.

Overall he saw the Mughal–Indian economy as a system of direct agrarian exploitation by a small ruling class. He also saw commercial activities as forced by state taxation demands – a one-way flow of commodities from villages to towns, unlike for example China. This overall view has been very influential in the study of early-modern Indian economic history, with for example *The Cambridge Economic History of India* (1982) taking the Habib line to a great extent.²¹

Shireen Moosvi's statistics

Shireen Moosvi published her very detailed study of the *A'in-I Akbari* in 1987, based on her doctoral thesis supervised by Habib. Using the A'in she tentatively estimates the size of agricultural production, distribution of surplus, total value of external trade, price and wage structure and population in India.²² Where necessary she uses nineteenth-century data in her extrapolations to fill gaps.

This study will concentrate mainly on her comments concerning the land revenue demand, its mode of assessment and collection.

The key question concerns the overall share of the produce laid claim to by the Mughal administration. Abu'l Fazl provided a formula, which represented one third of the yield, with these rates in kind being commuted into cash at the prices prevailing locally. Moosvi multiplies the yields by the A'in prices for the imperial camp (the highest anywhere). This gives a

²⁰ Ibid, p41

²¹ *CEHI*, eds I. Habib & T. Raychaudhuri (Cambridge 1982)

²² S. Moosvi, op. cit. p ix

demand for kharif crops of 44.4% and for rabi crops of 38.3%. With camp prices substantially higher than the rural prices obtained by the peasant, the real ratio would have been substantially higher.²³ She assumes a difference in prices of 10% thus lifting the rates to 48.9% and 42.1% respectively, concluding that the Akbar administration flatly laid claim to one half of the produce.²⁴ All of these calculations relate to Agra only. For other areas there were significant differences. (For example when the Agra cash demand is indexed at 100 there is significant variation both between regions – 10 and 20% being common - and also within regions, e.g. the Delhi rice index varies between 51 and 110). She puts much of this down to political and administrative bias, and sticks to her overall conclusion that “the land revenue was generally set to account for one half of the produce.”²⁵ The conclusion must be adjudged somewhat precarious.

The A'in provides a figure for the jama – the estimated net land revenue realization – but Moosvi points out that the gross number is the revenue collection demand on the producer. She assumes 7% as the share for local officials, 20% collection costs and 10% for the zamindars, adding up to 37% as the normal cost of collection of land revenue at the time.²⁶ So the net land revenue realization in these provinces is 143% of the jama (143% reduced by 37% is 90% which is that part of the jama which is land revenue funded). She further calculates the state appropriation as 56.7% of the total produce. “Conversely the share of the produce left with the peasant should have been 43.3%.”²⁷

In her extraordinarily detailed work Moosvi also calculated the diffusion and consumption of the surplus, which leads her to an estimate of the proportion of the jama spent in towns. This provides an urbanization

²³ Ibid, p106-7

²⁴ Ibid, p108

²⁵ Ibid, p118

²⁶ Ibid, p131

²⁷ Ibid, p301

estimate for 1595/6 of 15%,²⁸ which involves an assumption of urban decline in the eighteenth century. Her final major calculation is to use the *A'in-I Akbari* statistics, suitably modified, to estimate the number of people in the empire. The extent of cultivation compared to 1901 statistics, and a further series of assumptions, result in an estimate of between 136 and 150 millions.²⁹ This provides a growth rate between 1601 and the 1871 census of 0.21% per annum.

3. Evaluation of “The Extractive State” case

To evaluate the Habib/Moosvi thesis we will examine the following topics:

1. How good is the *A'in-I Akbari* as a source for Habib and Moosvi's purposes? What were the motives of Abu'l Fazl, the author?
2. How do Moosvi's numbers stand up in terms of their internal consistency? If she is correct what does this mean for the peasantry?
3. What do other economic indicators tell us about Smithian growth, particularly the position of merchants and credit institutions, and the extent of internal and external trade?
4. What are the arguments of the revisionists and how much evidence do they have?

Points 3 and 4 will be addressed in Section 4 of the dissertation, “Commercialization from Below.” We will conclude our discussion of “The Extractive State” by looking at 1 and 2.

²⁸ Ibid, p305

²⁹ Ibid, p402

The *A'in-I Akbari* as a source

In a historiographical article Subrahmanyam remarks that some economic historians have taken certain selected texts quite literally, without consideration for possible ideological motivation.³⁰ In a footnote concerning Moosvi's book he says "It is evidently no coincidence that this monograph, which rests heavily on the *A'in-I Akbari*, never discusses who Abu'l Fazl was, or for what ends the text was written. Significantly most reviewers of the book have also passed over the issue in silence."³¹

Abu'l Fazl joined the group of Akbar's closest advisers in the 1570s, and Richards describes him as "an outstanding ideologue and propagandist for Akbar From the time of his appearance at court he began erecting an edifice firmly establishing a new legitimacy for Akbar and his descendants."³² Ordered to write a history of Akbar's regime, Abu'l Fazl saw the chance to put forward this new ideology. In 1595 he presented the *Akbarnama*, covering the 47 years of Akbar's reign together with its three-volume appendix the *A'in-I Akbari*, described as an imperial manual and gazetteer.³³ Whilst the narrative is claimed by Abu'l Fazl to be based on official records, no longer available, and eyewitness reports, at the core of the work "permeating nearly every passage, is an ideology of authority and legitimacy. The aim of Abu'l Fazl's panegyric is to demonstrate either openly or subtly with every possible rhetorical device his Master's superiority to ordinary men."³⁴ For example he shows Akbar's direct decendency from Adam and claims that he was a superior being. "The ineffable radiance

³⁰ S. Subrahmanyam, "The Mughal state – structure or process? Reflections on recent Western historiography," *IESHR* 29,3 (1992) p295

³¹ *Ibid*, p295n

³² J.F. Richards, "The formulation of Imperial authority under Akbar and Jahangir" in J.F. Richards (ed) *Kingship and Authority in South Asia* (Madison 1978) p260

³³ *Ibid*, p261

³⁴ *Ibid*, p261

emanating from the brow of Akbar was perceptible only to superior men who could recognize the signs of true authority.”³⁵

There is much of great historical value in the *Akbarnama* and the *A'in-I Akbari* but “Abu'l Fazl's approach to history was what Western historiography classes as Romanticism. He considered history as ‘Philosophy teaching by example.’ Ethical and moralizing elements vaulted over historical analysis and made his writings subjective.”³⁶ The work is probably the most important source of economic history data of the period, but the great shortage of such data may have led to an uncritical acceptance of the contents.

Internal Consistency Calculation

This section contains a calculation to show what it would have meant to the peasantry if 56.7% of the total produce had been appropriated. The calculation uses Moosvi's own numbers to provide a cross check on how defensible her conclusions are. What we are trying to do is show what was left for the peasantry as a whole and what this may have meant for peasant families.

1. Moosvi estimates that the state appropriated 56.7% of the total produce. This leaves 43.3% for the peasants.³⁷
2. The calculation is restricted to the five provinces where Moosvi is most confident of her statistics. We need to know the population in these provinces, and the total jama, or net land revenue. “We can estimate the population for the five provinces (Agra, Delhi, Lahore, Allahabad and Adwah) on the basis of our data. The total jama of these provinces was 2,125,881,769 dams. Increasing it by 42.857% we get the gross

³⁵ Ibid, p261

³⁶ S.A.A. Rizvi, *Religious and intellectual history of the Muslims in Akbar's reign, with special reference to Abu'l Fazl* (New Delhi 1975) p267

³⁷ S. Moosvi, op.cit., p301

land revenue; 3,036,970,919 dams. On dividing this figure by the per capita land revenue (85.235 dams) we get 3.563 crores for the total number of people in these provinces.”³⁸ A crore is 10 millions, so her estimate of the population in the five provinces is 35,630,000.

3. Demographic data on family size is 4.5,³⁹ which means the 35.63 million population is equivalent to approximately 7.9m families. Moosvi’s calculation for the level of urbanization is 15%, so 85% of the population is rural, which amounts to 6.7 million families. Not everyone living in rural areas lives directly off the land, e.g. those working in rural industry, or those engaged in crafts within village communities, local officials etc, but a base of 6.1m peasant or agricultural labour-force families seems justified (90% of the total, although an assumption of 80% would make little material difference to the outcome).
4. If 3,036,970,919 dams is 56.7% of the total, then the revenue left for the agricultural families (who indirectly support nearly all of the rest of the countryside occupations mentioned above) would be 2,318 million dams. Divided among 6.1m families, the average peasant family would have to exist on 380 dams per annum, approximately one dam per day. (At 80%, 432 dams per annum.)
5. Moosvi makes no mention of one very important demand on the grain harvest, the need to retain a proportion for seed for the next crop. Seed to yield ratios at the time were poor, for example in France 15%-20% of the grain harvest was put aside as seed for next year.⁴⁰ Habib notes that the seed /yield ratio

³⁸ Ibid, p404

³⁹ Ibid, p343

⁴⁰ P. Goubert, *The French peasantry in the seventeenth century*, (Cambridge 1986) p203

for crops such as wheat was generally higher in India than in Western Europe before the nineteenth century.⁴¹ If we take the lower 15% as the number for India, this takes out about one third of the amount left to the rural community (i.e. 15% out of 43.3%). The number of dams per annum reduces by one third to 253.

6. Sources indicate peasant families as individual producers tilling their own fields.⁴² Such individual farming is rarely egalitarian, and in seventeenth- century India there were small peasants and 'big men', who would use hired labour. Habib provides a series of examples based on value of possessions, numbers of bullocks, numbers of ploughs, extent of crops cultivated and proportion of land held, from various villages, mainly in northern India.⁴³ These indicate that up to 20% of the peasants had a sufficiency of resources to make it likely they had to employ others at least occasionally. We do not know what they were paid so we cannot make any calculation. The point is that if up to 20% were better off, there was correspondingly less for others.
7. Moosvi offers evidence that in the central regions of the Mughal empire a family of 4.5 spent, for bare subsistence, 342 dams per annum on food and 212 dams on clothing.⁴⁴ Even living partly off the land, some food would have to be bought, such as ghee, vegetables and salt, in addition to clothing, and iron for ploughshares and other implements.
8. As a further check the A'in gives wage rates for a number of skilled and unskilled jobs. For example a helper in the imperial

⁴¹ I. Habib, op. cit., 1969, p35n

⁴² I. Habib, op. cit., 1999, 2nd ed, p135

⁴³ Ibid, p136-141

⁴⁴ S. Moosvi, op.cit., p305-6

stable would receive 2 dams per day, as would a grass-cutter. Even a slave was given one dam per day as pocket money. Moosvi comments that “these salaries seem abnormally low: and one suspects they were supplemented by some other form of payment or advantage.”⁴⁵ Yet this continuation of her calculations indicates that much of the peasantry had to survive on a good deal less. Francisco Pelsaert, a Dutch East India Company factor, writing in the seventeenth century, speaks of servants being paid by the Mughals “only after large deductions, for most of the great lords reckon 40 days to the month, and pay from 3 to 4 rupees for that period.”⁴⁶ Speaking of craftsmen he says “any of these by working from morning to night can earn only 5 or 6 tackas [dams] ... in wages.”⁴⁷ It is noteworthy that this would have represented in the 1620s (at 40 dams per rupee) over 1200 dams per year for a servant and approaching 2,000 dams per year for a craftsman.

On the basis of the above one would conclude that Moosvi’s statistics are not internally consistent, unless we are to assume a level of immiseration incompatible with a growing population. We know that revenues increased during the seventeenth century by 2.5 times, but since the empire was growing during this period, and there was inflation (the level of which still causes controversy), it is impossible to use this to make deductions about the state of the peasantry. But it seems reasonable to say that Moosvi’s 56.7% appropriation level is too high. The peasants could not afford to pay so much.

As a final check on this, the sum of 253 dams per annum would purchase at an average price of 12.64 dams per maund (12.64 being the

⁴⁵ Ibid, p334

⁴⁶ F. Pelsaert, *Jahangir’s India*, translated by W.H. Moreland & P. Geyl, (Cambridge 1925) p62

⁴⁷ Ibid, p60

average price in the A'in for barley, gram, jowar and bajra, and 82.28lbs being the weight of a maund), 20 maunds of grain which is 746 kgs.⁴⁸ Using Clark and Haswell's calculations that a kg of wheat provides 3150 calories, this gives us 2.35m calories for a peasant family of 4.5, for the year.⁴⁹ An adult doing agricultural work in India needs a minimum of 2440 calories per day.⁵⁰ A family of 4.5 will need 3 times the requirement of a male adult worker (female at 75% of the male and 2.5 children at 50%).⁵¹ This alternative calculation indicates that the family can live at this most basic level for only 288 days of the year, a level which permits no expenditure on other foods, salt, iron, clothing, shelter etc. We need to remember also that the poorest could not afford wheat and usually consumed inferior grain, so the 3150 calories in a kg of wheat may overstate the calories available.⁵² Again we have a situation of immiseration and starvation.

Conclusions regarding 'extractive state theory.'

There are a number of possibly over-lapping alternatives. The first is that Richards is more correct in his belief that food grains were generally taxed at one third of the harvest and the more valuable cash crops at one fifth.⁵³

Secondly, some historians believe that the jama was an ideal, which the state never expected to collect fully. Moosvi believes that the jama was a net figure to which collection costs should be added (hence her 43% addition), but Richards, for example, believes that the jama was an ideal reference point from which collection costs must be deducted. In Khandesh province in the seventeenth century the formal jama 'dami (assessed revenues of the province) was 8.7 million silver rupees. The revenue

⁴⁸ S. Moosvi, op. cit. p344

⁴⁹ C. Clark and M.R. Haswell, *Economics of subsistence agriculture*, (London 1964) p49

⁵⁰ Ibid, p8

⁵¹ S. Moosvi, op cit. p342

⁵² Ibid, p343

⁵³ J.F. Richards, *Mughal empire*, (Cambridge 1995) p85

expected was 5.7 millions. Richards's calculations posit 65.8% of the jama' dami being forwarded to the imperial coffers in a normal harvest year.⁵⁴ This was partly due to slippage and partly the costs of collection, a considerable proportion being retained by local rural aristocrats and officials for assessing and collecting the revenues.⁵⁵ Slippage could be due to various reasons. Richards mentions low market prices, weak or failed monsoon with burned out crops, and in frontier areas, such as the Deccan, warfare could decimate agricultural output.⁵⁶ The problem of shortfall had become so widespread that it had to be taken into account when salaries to mansabdars were calculated. During Shah Jahan's reign (1628 –58), officials began to categorize regions by using a scale based on twelve months. For example jagirs classed as eight months would produce only two-thirds of the assessed revenue, and six months would produce one half. Nobility allocated lands at low month levels were allowed to reduce their troop commitments.

It is interesting to note that a similar approach applied to Moosvi's numbers for the five provinces (i.e. no 43% addition for collection costs, and two thirds of the jama being collected, would result in an additional 1.9 billion dams for the peasantry, an extra 310 dams per annum on average for each of the 6.9 million families.

Thirdly, there are historians, among them Ashok V. Desai, who believe that Habib and Moosvi's population estimates are too high at 140 millions. Desai, in a closely argued article, gives estimates of 65 to 95 millions. He believes this went hand in hand with higher agricultural yields than Moosvi claimed, due to the careful selection of land for cultivation, compared to the nineteenth century when the population was much higher.⁵⁷ Desai's number

⁵⁴ J.F. Richards, *Power, administration and finance in Mughal India*, (Aldershot 1993) p199

⁵⁵ Ibid, p202-3

⁵⁶ J.F. Richards, op. cit., unpublished paper, 2001

⁵⁷ A.S. Desai, "Population and standards of living in Akbar's time", *IESHR*, V15/1, (1978) pp53-77

is supported by Subrahmanyam, who says that his “population estimate is the more convincing, and is supported by subsequent work on the eighteenth century (Frank Perlin, Christopher Bayly and Andre Wink), which argues that far from being a ‘Dark Age’ (as the Aligarh School is wont to characterize it) there was a considerable expansion of population and cultivation in that age.”⁵⁸

In short there are many issues with Moosvi’s numbers. Among the most compelling are that the peasants simply could not afford to pay a 56.7% impost, even bearing in mind that there was no rent demand on top. (In China, the best established and most organized agrarian empire in the world, the land tax rate was set at 10% of total output, and in some periods considerably less. But this does not take into account rents, where the data is less clear, so this information is not as helpful as hoped in providing a benchmark.⁵⁹) Regarding India, the great likelihood is that the collection level was well below the assessment level even in the Mughal heartlands. In the newly conquered states tax may have been, at least initially, more like tribute. In addition, Pelsaert wrote, of Emperor Jahangir, “he is to be regarded as King of the plains or the open roads only The people who live in, on, or beyond the mountains know nothing of any king, or of Jahangir; they recognize only their Rajas Jahangir must therefore be regarded as ruling no more than half of the dominions which he claims.”⁶⁰ This points to the issue of managing such a taxation system across a pre-modern empire of that size. A further point concerns the increase in cultivation, the probable extension of cash crops, and the introduction of tobacco across the empire: “the stick alone, in the absence of carrots, would not have produced these results.”⁶¹

⁵⁸ S. Subrahmanyam, op. cit., (1988) p104

⁵⁹ G. Deng, *Pre-modern Chinese economy* (London 1999) Appendix G, pp356 and 58.

⁶⁰ F. Pelsaert, op. cit., p 58-9

⁶¹ T. Raychaudhuri, *CEHI V1* op. cit., p176

Overall the conclusion has to be that the A'in-I Akbari cannot be relied on, and Moosvi's estimate of the size of the land revenue demand seems to be significantly over-estimated.

4. Commercialization from below

Some trade did exist to facilitate surplus extraction by the state, but the Aligarh school sees trade overwhelmingly in such terms. More recent work challenges this, pointing to a growing spatial division of activity, characterized to a large extent by free market exchange. "This resulted in the creation of a set of intermediate centres of a mixed character, whose occupational profiles differed considerably from one another."⁶² If this is correct then Smithian growth was underway, although there were inevitable limits with regard to this, as a result of long-distance transport limitations of the period.

This section will look at merchants and credit institutions, external and internal trade, and revisionist thinking. Two associated subjects – transportation and the structure of the textile industry – will also be touched on briefly.

Transportation

The fact that land transport could take place over long distances for luxury items is well known, and also that trade in bulk commodities depended on water transport, particularly coastal and river. But an interesting system of land transport existed in India and grew in importance in the seventeenth century. There is now more appreciation of the contribution of the nomadic Banjara community, who engaged in large-scale trade using caravans of pack-bullocks. Habib has estimated the Banjara

⁶² S. Subrahmanyam, "Rural industry and commercial agriculture in late seventeenth century southeastern India", *P&P*, Feb 1990, pp76-114

population at 400,000, with each family owning about a hundred oxen, giving a total ox population of about 9 million. He assumes an ox carries about 280lb loads for only one third of the year and moves no more than six miles a day. This comes to 821 million tonne miles per year.⁶³ This was a massive volume, which Habib compares with the Indian railways in 1882, which handled about 2500 million tonne miles. Grover tells us that the Banjaras specialized in transporting salt, food grains and butter over both short and long distances for fixed prices.⁶⁴ Washbrook claims that the Banjaras made possible in-depth marketing networks over considerable distances.⁶⁵ He gives as an example the fact that much of the cotton woven by the textile industry on the southeast coast came from Maharashtra and Berar by such means.

With regard to costs, although Banjara herds ate off the country, land transport was nevertheless higher than water transport. Grover maintains that by land a 100 mile journey increased the cost of grain by 40 to 60%, with sugar, iron and salt about half this.⁶⁶ For long distances cotton was 66% higher by road than river.

Coastal trade took place using a large number of small craft, in sharp contrast to overseas trade where there were smaller numbers of much larger vessels. With regard to inland waterway transport, a tremendous volume and variety of vessels was used. "Finch travelled from Agra to Satgoan 'in the company of one hundred- and-four score boats' On the river near Etawah, Mundy saw 'many great lighters (barges) Each at 3 to 400 tuns.'

⁶³ I. Habib, Merchant communities in pre-colonial India in *Rise of merchant empires*, ed. J.D. Tracy (Cambridge 1990) p377

⁶⁴ B.R. Grover, *Integrated pattern of commercial life in the rural society of North India during the seventeenth and eighteenth centuries in Money and the market in India*, ed. S. Subrahmanyam (Delhi 1994) p238

⁶⁵ D. Washbrook, 'Progress and problems: South Asian economic and social history,' *Modern Asian Studies*, 22,1, 1988 pp57-96

⁶⁶ B.R. Grover, op. cit, p239

At Rajmahal, Manrique found 'over two thousand rowing vessels at anchor.'⁶⁷ A high proportion of India's inland trade moved by water.

In addition European travellers found the imperial highways as comfortable as travelling in France or Italy, although, as in Europe, no road was easily negotiable round the year.

Merchants and credit institutions

The traditional view has been that the state preyed upon merchants in seventeenth-century India, and that these merchants were in the main small peddlers who could not compete with the sophisticated European trading companies. This section will demonstrate that such views deserve a sceptical response.

Habib covers the hierarchy of merchants in northern India. "Pre-colonial India had a very large mercantile class, the bulk of it composed of castes The sub castes grouped under the name of Banyas were pre-eminent."⁶⁸ They were spread over most of northern India and the Deccan, dominating the commercial world, but never penetrated the south.

Some were shopkeepers and peddlers, but there were also very large Banyan merchants, who advanced capital to artisans so that they would manufacture only for that merchant at a pre-agreed price. Banyans dominated the profession of brokers (dallals) and bankers and money-changers (sarrafs). The sarrafs and dallals were almost invariably Hindus, who were happy to act for the Muslims and the European trading companies. In addition to the Banyans, rival castes such as the Khatri dominated in the Punjab, and the Komatis in Golconda.⁶⁹ In southern India there is evidence of small-scale merchants such as the 'nakarattar' in Tamilnadu, and the Saraswat merchants of the Malabar. There were large and rich traders in

⁶⁷ T. Raychaudhuri, "Inland Trade", *CEHI* op.cit. p351

⁶⁸ I. Habib in ed. J.D. Tracy, op. cit. p379

⁶⁹ Ibid p380

areas such as Golconda, the Coromandel and Arcot. The examples given are clearly of a social type, not just a few exceptional people.⁷⁰ In northern India they produce further examples relating to Bengal, Gujarat, Surat and Agra.

Then there were the great merchants, who were inter-regional traders, and formed a commercial elite.⁷¹ The large ports had merchants comparable to Europe's merchant princes in wealth and power. The Surat merchant Virji Vora was reputed to be the wealthiest man of his time, and many more are cited all of whom were masters of extensive commercial empires. They could easily buy a complete European ship's cargo, and had close links with the political administration.⁷²

Institutions to facilitate trade did not await the arrival of the European trading companies. "In functional terms what happened in western Europe during the sixteenth and seventeenth centuries may not have been quite so unique after all. One can find parallel developments in many areas of the Indian Ocean."⁷³

Habib provides a good summary of the development of commercial techniques and credit institutions.⁷⁴ Partnerships were normal but there is no evidence that joint-stock companies were developed. However the absence of joint-stock companies did not prevent the growth of large Banyan firms, many with factors placed at great distances inland and overseas.

The sarrafs were experts on coinage – its age, weight and purity – and they began to accept deposits, and developed a system of deposit banking. Short-term credit plus the transfer of funds was effected by hundis, which were bills of exchange. "The sarrafs issued hundis when they actually

⁷⁰ S. Subrahmanyam & C.A. Bayly, Portfolio capitalists and the political economy of early modern India in ed S. Subrahmanyam, *Merchants, markets and the state in early modern India*, (Delhi 1990) p252

⁷¹ Ibid p256-7

⁷² T. Raychaudhuri, op. cit. p340-1

⁷³ K.N. Chaudhuri, *Trade and Civilization in the Indian Ocean*, (Cambridge 1985) p209

⁷⁴ I. Habib, op.cit. Pp388-396

received deposits to be repaid at some other place, and they also discounted the hundis when they made a loan to be repaid elsewhere.”⁷⁵ Such bills were saleable. In India those who had discounted a hundi, and then sold it on, became liable if the drawee failed to honour it. This made it more acceptable if merchants of high repute had discounted it previously. The next step, possibly an innovation in India, was for the sarrafs also to insure the goods.⁷⁶ There was also what the European records called ‘avog’, which was a system of speculative investment in a ship’s cargo, repaid if the ship arrived safely at its destination port.

Any evaluation of India’s commercial development must take into account that these institutions, facilitating trade, were created by the Indian merchant and financial community. When the Europeans arrived they found the Indian system very satisfactory. “The ability of the English to finance their entire trade with India from money raised there, may be offered as a convincing testimony.”⁷⁷

External trade

Any discussion of India’s pre-modern economy has to be largely conducted without statistics, so such statistical information as is available, in particular from the European trading companies, runs the risk of being invested with disproportionate significance.

The Indian sub-continent played a central role in Asian trade, partly because of its mid-point location, but more because of its large trade in very competitively priced manufactured goods.⁷⁸ Food grains were sent to such ports as Malacca, Hormuz and Aden, but in particular coarse cotton cloth for mass consumption went to Equatorial Asia and via Malacca to China, and

⁷⁵ Ibid, p393

⁷⁶ Ibid, p395

⁷⁷ I. Habib, “Usury in Medieval India,” *CSSH*, July 1964, p405

⁷⁸ O. Prakash, *The Dutch East India company and the economy of Bengal, 1630-1720* (Princeton 1985) p5

also from the West coast to the Red Sea and the Persian Gulf. Precious metals, spices and drugs were imported in return. “This pattern of trade would seem to establish the standing of India at this time as among the most advanced and cost competitive “industrialized” countries in Asia.”⁷⁹ It also shows that this was not a ‘luxury goods’ trade.

In the seventeenth century the United East India Company (VOC) and the English East India Company were the heirs to the Portuguese monopoly of the spice trade, but they discovered quickly that they could not trade in peppers and spices in south-eastern Asia without India’s cotton textiles.⁸⁰ Pepper became very important to the two companies with imports to Europe in 1670 of over 13m lbs. This trade was to be superseded however, as the main import to Europe, by the trade in textiles, which by the 1680s amounted to 2.5m pieces per year.⁸¹

The key question is how important was this to Indian external trade as a whole, and to the Indian economy generally.

Dasgupta believes that the Indian merchant was the most important figure in the country’s overseas trade in the seventeenth century.⁸² He points out that European companies documentation does not capture European private trade, much less the trade of Indian merchants.

The trade in the Indian Ocean remained in the hands of the Indian ship-owning merchants throughout the seventeenth century. The Europeans tried to enter but their freight rates were too high and they lacked local language and contacts. Dasgupta goes so far as to say that the later seventeenth century was the golden age of Indian maritime trade, particularly in textiles.”⁸³

⁷⁹ Ibid, p5

⁸⁰ K.N. Chaudhuri, European trade with India, *CEHI*, op.cit. p386

⁸¹ Ibid, p399-401

⁸² A. Dasgupta, Indian merchants and the trade of the Indian Ocean, *CEHI*, op.cit. p407

⁸³ Ibid, p432

Statistics do not exist for all of this and we have only fragments of quantitative evidence to put the European trade into context. Om Prakash has examined the effect of the VOC on the Bengal economy. He found little overall evidence of the company's trade displacing trade by Indian merchants.⁸⁴ Much of Bengal's exports via the company were paid for in bullion, which increased the economic stimulus of foreign trade since there was no decline in the domestic production of goods competing with imports. He sees an increase in real output and income, but there is no way to estimate the effect of all this on the Bengal economy. With regard to employment however, he estimates that on average, between 1678 and 1718, the VOC was responsible for between 26,000 and 37,000 jobs in cotton and over 7,000 jobs in silk. In Bengal he estimates that one million people were employed in textiles so the VOC accounted for 3.4 to 4.4% of this workforce.⁸⁵ Other European traders would add about as much again. This was to grow in the eighteenth century, but the seventeenth century number is less than might have been expected, especially as Bengal was perhaps the most penetrated, by the European companies, of the regions of India.

Subrahmanyam offers two further examples. In response to V.M. Godkins, who claims that the expansion in pepper production in south-western India was fundamentally on account of the growth in Portuguese demand, he shows that even in the best of years at the end of the sixteenth century, the Portuguese rarely bought even 10% of the produce of south-western India.⁸⁶ To J.F. Richards claim that the European companies initiative 'created' an export market of 9m yards of cotton cloth per annum, he replies that Asian trade from Masulipatnam to Burma alone, in the late

⁸⁴ O. Prakash, op.cit. p222-234

⁸⁵ Ibid, p242

⁸⁶ S. Subrahmanyam, *The political economy of commerce: Southern India, 1500-1650* (Cambridge 1990) p361

1620s, was twice the *entire* Dutch exports from all of Coromandel at the time.⁸⁷

Such quantitative fragments, plus the many qualitative sources, indicates flourishing external trade, with the much-studied European companies a relatively minor influence in the seventeenth century.

Internal trade

Evidence regarding internal trade is important in considering Smithian growth, particularly the extent of market integration and specialization at both regional and lower levels. Inter-regional trade was also not just a luxury-products interchange, and both food grains and textiles were important. We will look at both coastal trading and overland trade, the latter using inland waterways, pack-bullocks and other means of land transport. Whilst the provision of infra-structural support to external trade was a function of the inland networks, “to regard coastal and overland trade as being appendages in any sense of the overseas trade would be to distort the picture.”⁸⁸ Both coastal and overland trade supplied food and raw materials to regions which were not self-sufficient, and also in response to regional differences in the production and consumption of commodities.

A paper written by Grover in the mid-sixties is now recognized as a pioneering work.⁸⁹ He analyses the commercial pattern governing rural society, linking it with urban, inter-regional and foreign trade. He uses many sources, but in particular regional sources, at that point largely neglected since mainly written in Persian or local languages. He points out that the concept of village self-sufficiency cannot be sustained and that only very remote villages could be described as self-sufficient or surviving at subsistence level.⁹⁰ He provides evidence of a hierarchy of commercial

⁸⁷ Ibid, p362

⁸⁸ Ibid, p48

⁸⁹ B.R. Grover, op.cit.

⁹⁰ Ibid, p222

centres ranging from the local mandis (a wholesale market) to which excess grain crops and cash crops were sent by the peasantry. Above this was the qasba, the main commercial centre, and usually the administrative centre of the pargana. Both mandis and qasbas were used to sell surpluses for regional consumption and export to other areas, and also to purchase commodities not available locally.

He gives many examples of local specialization and internal trade, among them Bengal wheat to southern India, Kerala, and the western Indian coast; and Gujarat taking food grains from Malwa, and Ajmer, and rice from Malabar and the Deccan. "Above all the rural areas producing cash crops developed a high degree of commercial sense for production."⁹¹ This was contradicting part of the Aligarh hypothesis as early as the sixties, but was initially ignored by other historians.

Grover's work was extended by Chaudhuri, who adds to the mandis and qasbas, hats, informal local markets in rural areas, and at the other extreme emporia and entrepots, which catered to long-distance trade not necessarily external to India.⁹² All of this offers parallels to Skinner's work on China, which describes a similar pattern of commercial centres.⁹³

More recent work on the coastal trade and overland trade confirms this level of regional specialization. In a detailed regional study of seventeenth-century northern Coromandel, to which we will return later, Subrahmanyam covers trade in rice, claiming that "there is not only evidence of localized, short-distance movements of rice but also a clear suggestion of a substantial movement of food grains from surplus areas to deficit areas."⁹⁴ This rice was exported long distances to remote markets as well as short distances. The coast between Masulipatnam and Porto Novo had a number of deficit

⁹¹ Ibid, p232-233

⁹² K.N. Chaudhuri, *Markets and traders in India during the seventeenth and eighteenth centuries*, in *Money and the market in India*, op.cit. ch.8

⁹³ G.W. Skinner, *The city in late Imperial China*, (Stanford 1977)

⁹⁴ S. Subrahmanyam, *P&P* 1990, op.cit., p86

areas which invariably imported rice.⁹⁵ As usual hard quantitative evidence is thin, but statistics for Madras show an annual consumption of over 25,000 tons of rice with nearly 15,000 tons imported by sea and only 9,000 tons from the Madras hinterland in 1712-13.⁹⁶

Subrahmanyam's paper contains an accumulation of evidence on the coastal trade. Quantitative evidence continues to be scarce but the Dagh Register Pulicat may give some indication of the quantities involved. Pulicat depended on the coastal trade for provisions, and in the Register the Dutch factors recorded all shipments to the port from the Gingelly coast from January 15 to February 15, 1646. In this single month they recorded 53,518 kgs of rice, 110,498 kgs of paddy, 150 jars of oil, 210,895 kgs of sesamum, 25,609 kgs of pulses and 170,489 kgs of tamarind, plus smaller quantities of other products.⁹⁷ This would not happen every month since such trade was seasonal due to weather patterns.

Turning to overland trade we see marked differences between northern and southern India. River trade was very limited in the south, being largely confined to the western coastal strip. Elsewhere, overland transport was relied on. Subrahmanyam points to many trade routes in the south but there is little quantitative data.⁹⁸ Many examples of sub-regional specialization are given, some dependent on local factors or climatic conditions, such as iron-mining or pepper cultivation, but others are not based on geographical factors, such as certain types of weaving concentrated on the eastern coastal strip and elsewhere.

In the north the great Gangetic and Indus systems connected the heartland of the Mughal empire to Bengal. For northern India Raychaudhuri comments that trade route evidence strongly indicates the growth of market

⁹⁵ S. Arasaratnam, "The rice trade in Eastern India 1650 to 1740," *Modern Asian Studies*, 22,3 1988 p531

⁹⁶ Ibid, p533

⁹⁷ S. Subrahmanyam, 1990, op.cit. p52

⁹⁸ Ibid, passim, pp66-88

integration covering major areas of Hindustan, Bengal, Rajasthan, Gujarat, Malwa and the Deccan.⁹⁹ Trunk routes were served by branch roads, going deep into the interior, indicating that inter-regional exchange was not limited to a few major centres. A major source of cheap food was Bengal, where many observers commented on the abundance and variety available. Rice and sugar was sent by the Ganges to Agra, which also brought wheat in from the eastern provinces. High quality food grains came to Lahore from Muradabad and Sirhind. Gujarat was a large manufacturing and commercial area, which had unreliable agriculture for climatic reasons, and was the main importer of food grains mainly from northern India via Agra. These examples could be multiplied many times over.¹⁰⁰ It has to be said that while this provides significant evidence of Smithian growth emerging, it would be wrong to speak of national markets in seventeenth-century India. Market integration was inevitably limited by transportation technology, and substantial regional price differences still existed.

Textile industry

India's textile industry provides an instructive example of these trends. A substantial inter-regional trade developed based on fine textiles from particular locations – muslins from Dacca in eastern Bengal; satins, chintz, and transparent muslin from towns in western and central India, such as Ahmadabad and Siranj; and painted cloth from Masulipatnam. All were higher cost goods, so transport was less important, and Chaudhuri believes the key factor here was “a hereditary concentration of craft skills.”¹⁰¹ Dacca was influenced by the quality of cotton grown locally. Raw silk production was almost a monopoly of northern Bengal. Masulipatnam's painted cloth was affected positively by the salts in its water supply. But in all cases

⁹⁹ T. Raychaudhuri, *Inland Trade*, CEHI op.cit. p338

¹⁰⁰ *Ibid*, passim, ch11

¹⁰¹ K.N. Chaudhuri, “The structure of the Indian textile industry in the seventeenth and eighteenth centuries,” *IESHR*, 1974 2/3 p133

'urban conglomeration' effects were important, and it should be noted the areas were identified by their products, not their markets, which were widely diffused, and of little economic significance.

The four main industrial regions in India specializing in cotton goods exports were Punjab, Gujarat, the Coromandel coast and Bengal. Gujarat's pre-eminence was based on low cost supply to Red Sea ports. Punjab served inland near-eastern markets. Bengal's main market had been upper India, but more and more went to Europe in the late seventeenth and eighteenth centuries.

Deepening this picture of regional and locational specialization was the movement of raw cotton to the weaving centres in considerable quantities. Raychaudhuri tells us that Bengal imported large quantities of cotton, grown largely between Surhat and Burhanpur, which came via Agra down the Ganges.¹⁰² Brenning's study of the Godavari and Krishna deltas of the northern Coromandel coast showed raw cotton being transported by the banjaras across about three hundred miles separating the growing area from the coast."¹⁰³ Similarly indigo was integrated into wider commercial networks, and the movement of intermediate goods, for example fabrics sent to Agra, Ahmedabad, Masulipatnam and Bengal for washing and dyeing, all testify to a considerable level of inter-dependence and specialization in India's largest manufacturing industry.

Revisionist thinking

The historiography of early-modern India reveals a series of characteristics which are increasingly being questioned by revisionist historians. These include:

¹⁰² T. Raychaudhuri, *Inland Trade*, *CEHI*, op.cit. p332

¹⁰³ J.J. Brenning, "Textile producers and production in late seventeenth century Coromandel," *IEHSR*, 23, (1986) pp333-356

1. The concept of extreme vertical economic differentiation, espoused above all by the Aligarh historians, who stress the divisions between the surplus controlling classes, and the peasant at subsistence level.
2. The commercialization that did occur being a function of the state's revenue demand, with internal trade essentially one-way from country to town.
3. The merchant and his property as always insecure in the face of Oriental despotism.
4. A lack of attention to regional and sub-regional specialization, with what did occur being viewed as limited to coastal areas.
5. The concept of India as a passive economy, waiting to become incorporated into the World Economy by European expansionism.
6. The idea that the eighteenth century, between the Mughal and British empires, was a time of collapse, chaos and economic shrinkage. This influences views of the seventeenth century.

The initial thrust of the revisionist approach lay in a reinterpretation of the eighteenth century, based on English East India Company archives, and also records of the Maratha state, and some of its important figures. This "portrayed a polity within which state power was commercialized (and) a substantial market existed in rights of surplus."¹⁰⁴ C.A. Bayly took this further in his portrayal of the eighteenth century as a period when small market towns grew and prospered, with Mughal decline not necessarily leading to an overall commercial decline.¹⁰⁵

¹⁰⁴ S. Subrahmanyam, *Merchants, markets and the state in early modern India*, Delhi 1990. p13

¹⁰⁵ C.A. Bayly, *Rulers, townsmen and bazaars; North Indian Society in the age of British expansion*, Cambridge 1983

A number of historians have taken this work back into the seventeenth century. We will briefly outline some of the views of three of them, Frank Perlin, David Washbrook and Sanjay Subrahmanyam.

In 1978 Perlin published an article, which specifically challenged the whole idea of the unremittingly extractive state, with the masses living at subsistence level.¹⁰⁶ His study covered the 150 years before European rule. Evidence from magnate households in the Maratha Deccan demonstrated the existence of a wide range of assets held by these households, which were often traded. Perlin demonstrated “the existence of powerful forms of social dominance transcending the frontiers of the village and strongly influencing the organization of social, economic and political life in the countryside.”¹⁰⁷ He also speaks of “such discredited but structurally persistent notions as the unchanging pre-industrial village,”¹⁰⁸

In a further article he speaks of internal trade leading to both regional and occupational division of labour, with the prosperous towns of Gujarat as his chief example.¹⁰⁹ He denies that the commercial capitalism of the seventeenth century was parasitic on the activities of the state. In another article he states that Habib’s arguments are being marshalled to defeat the nationalist idea that India had been on the brink of industrializing, and so with an argument “not sharp enough to deal with the problems of pre-colonial change.”¹¹⁰ Finally he points to the fact that the Mughals were not synonymous with seventeenth-century India, since in most of southern India Mughal conquest was brief and incomplete. For example fighting continued in the Deccan into the eighteenth century, but the empire was in a state of disintegration by 1720.

¹⁰⁶ F. Perlin, “Of white whale and countrymen in eighteenth century Maratha Deccan,” *Journal of Peasant Studies* 5(2) 1978 pp172-237.

¹⁰⁷ Ibid, p172

¹⁰⁸ Ibid, p173

¹⁰⁹ F. Perlin, “Growth of money economy and some questions of transition in late pre-colonial India,” *Journal of Peasant Studies*, 11(3) 1984 p100

¹¹⁰ F. Perlin, “Proto-industrialization and pre-colonial South Asia,” *P&P*, Feb 1983 p54

Washbrook criticizes World System theory as too European-based, pointing to the textiles trade in the seventeenth century between South Asia and Europe, where it would have been difficult to determine which was core and which periphery. Europe was a relatively unimportant trader with India in that century. The level of trade with west Asia, Arabia and southeast Asia seems to have been very much greater than that with Europe.¹¹¹ The acceptance of the idea that European capitalism was original and unique, led to writing history to explain why India did not resemble Europe, which in turn caused historians to overlook the parallels with European capitalism. He gives many examples, among them the acceptance now that marketing systems were organized and price responsive, not peddler-based; that merchant groups were not powerless before military authority; that there were discrete property rights; and the textile industry was able to quickly expand when demand increased. “These reassessments of South Asia’s potential for capitalism have come about in the course of research which has profoundly altered understandings of how south Asian economies were organized and functioned. Few of the conceptions of twenty years ago would seem tenable today.”¹¹²

The approach of the revisionists has largely been to look in great detail at very specific geographical areas. One of Subrahmanyam’s main contributions is a study of northern Coromandel in which he presents evidence of internal trade and specialization, and a marketing network of market towns and smaller centres.¹¹³ He shows the level of specialization of agricultural production in the Krishna Delta. Manufacturing production too tended to concentrate in pockets, but not for physical reasons, although these sometimes existed, but “once these aspects are placed in proper perspective, the fact of concentration and specialization of textile-related

¹¹¹ D.A. Washbrook, op.cit. p60

¹¹² Ibid, p62-3

¹¹³ S. Subrahmanyam, “Rural industry and commercial agriculture,” *P&P*, 1990, op.cit.

activities is truly remarkable.”¹¹⁴ He also presents information based on occupational evidence for some small urban centres showing great diversity and specialization. Here we see an attempt to remedy some of the lack of attention to specialization that has characterized the historiography of pre-colonial India.

The revisionist evidence is strong but still limited in quantity at this time, with more regional studies needed.

5. Overall conclusions

This dissertation has approached the question of Smithian growth in Mughal India by looking critically at ‘the extractive state’ hypothesis, with commercial activity parasitic on this, and then going on to look at the extent to which ‘commercialization from below’ was a feature of the economy.

Regarding ‘the extractive state’, the conclusion is that the *A'in-I Akbari* is not a solid foundation for the Habib hypothesis, and the claimed level of land revenue extracted, taking the peasants back to subsistence level, is implausible. The level claimed would have resulted in immiseration incompatible with a stable population, much less a growing one. These comments relate only to the taxation demands ascribed to the Mughal heartlands in northern India. In southern India Mughal dominion was brief and incomplete, and the Mughal taxation system as described in the *A'in*, is unlikely to have been rigorously, or indeed at all applied. Habib is open to the charge of “Mughal-centrism” which equates the Mughal empire with all of India, thus giving insufficient weight to the south, leaving it peripheral to his depiction of Indian history in the seventeenth century.

The ‘commercialization from below’ section has offered a series of arguments and examples that indicate that commerce was not solely forced by the state. Some agricultural production was consumed by the peasants

¹¹⁴ Ibid, p92

and so did not enter the market, and much was doubtless exchanged to meet revenue demands, but there was also a commercial economy, which was much more than a one-way movement from the countryside to the towns. The evidence also indicates that the European trading companies, far from being at the heart of this commercialization, were a very minor influence in the seventeenth century. Regional and sub-regional specialization, a marketing network, a 'good-for-the times' transportation system, and merchants and credit institutions which bore comparison with pre-modern Europe and China, attest to the existence of Smithian growth.

Both sides have empirical weaknesses. What the revisionists have is strong in depth but not yet in coverage. The more traditional approach has been to assemble data from widely scattered times and places, thus providing coverage at the expense of depth. Overall the revisionists seem to be gradually winning this argument, and it is unfortunate that the Aligarh school's Marxist approach to the problem has been so influential, for example in the CEHI, where Habib was a joint editor. This may well have resulted in an acceptance of the traditional view by historians who have not taken a special interest in Indian economic history.¹¹⁵

Comparisons with pre-modern Europe indicate that the level of sophistication of Indian trade and credit institutions was such that any assumption about commercial capitalism having begun only in Europe should be treated with considerable scepticism. A further comparison with Europe may be made regarding taxation. An overall level of tax in Mughal India of perhaps 30% (not at the Habib levels of 40 to 50% or more), may seem high, but in Mughal India there was no rent to pay on top. European taxation levels rarely exceeded 10%, but rents added a great deal to this and may well have made up the difference. It is by no means clear, by comparison with pre-modern Europe, that India was in any way a backward economy. The complex level of specialization surrounding the Indian textile

¹¹⁵ E.L. Jones, *Growth recurring*, (Oxford 1988) p131-2

industry (an industry dominant in both seventeenth-century India and pre-industrial Europe) provides further evidence that India could stand comparison with Europe, and that there were more similarities than much of the historiography has been prepared to accept. Industrialization may have begun in Europe but capitalism did not.

Using the Skinner/Tilly concepts of state formation, it seems reasonable to conclude that the development of the Indian state at that time owed as much to capital as coercion.

Abbreviations

A'in	A'in-I Akbari
CEHI	Cambridge Economic History of India
CSSH	Comparative Studies in Society and History
HER	Economic History Review
IESHR	Indian Economic and Social History Review
JEH	Journal of Economic History
P&P	Past and Present
VOC	Vereenigde Oost-Indische Compagnie (United East India Co.)

Bibliography

- Arasaratnam, S., "The rice trade in Eastern India 1650 to 1740", *Modern Asian Studies*, 22,3 1988
- Bayly, C.A., "State and economy in India over seven hundred years", *Economic History Review* 38/4 (1985)
- Bayly, C.A., *Rulers, townsmen and bazaars: North Indian society in the age of British expansion*, (Camb. Univ. Press, Cambridge, 1983)
- Brennig, J.J., "Textile producers and production in late seventeenth-century Coromandel", *Indian Economic and Social History Review*, 23, 1986
- Chaudhuri, K.N., "The structure of the Indian textile industry in the seventeenth and eighteenth centuries", *Indian Economic and Social History Review*, 1974 2/3
- Chaudhuri, K.N., *Trade and civilization in the Indian Ocean*, (Camb. Univ. Press Cambridge, 1985)
- Clark, C. And Haswell, M.R., *The economics of subsistence agriculture*, (Macmillan, London, 1964)
- Deng, K. G., *The pre-modern Chinese economy*, (Routledge, London, 1999)
- Desai, A.S., "Population and standards of living in Akbar's time," *Indian Economic and Social History Review*, V15/1, (1978)
- Goody, J., *The East in the West*, (Camb. Univ. Press, Cambridge, 1996)
- Goubert, P., *The French peasantry in the seventeenth century*, (Camb. Univ. Press, Cambridge, 1986)
- Habib, I., "The potentialities of capitalistic development in the economy of Mughal India", *Journal of Economic History*, V29/1, 1969
- Habib, I., "Usury in medieval India", *Comparative Studies in Society and History*, July 1964
- Habib, I., *The agrarian system of Mughal India*, (Oxford Univ. Press, New Delhi 1963 and 2nd ed. 1999)
- Jones, E.L., *Growth recurring*, (Oxford Univ. Press, Oxford, 1988)

- Maddison, A., *The world economy*, (OECD, 2001)
- Moosvi, S., *The economy of the Mughal empire c1595*, (Oxford Univ. Press, Delhi, 1987)
- Moreland, W.H., *Agrarian system of Moslem India*, (Delhi Oriental Books, Delhi, 1929)
- Pelsaert, F., *Jahangir's India*, translated by W.H. Moreland & P. Geyl, (Heffer, Cambridge, 1925)
- Perlin, F., "Of white whale and countrymen in eighteenth century Maratha Deccan", *Journal of Peasant Studies*, 5(2), 1978
- Perlin, F., "Proto-industrialization and pre-colonial South Asia," *Past and Present*, Feb 1983
- Perlin, F., "Growth of money economy and some questions of transition in late pre-colonial India," *Journal of Peasant Studies*, 11(3) 1984
- Prakash, O., *The Dutch East India company and the economy of Bengal, 1630 to 1720*, (Princeton Univ. Press, Princeton, 1985)
- Raychaudhuri, T. And Habib, I. (eds), *The Cambridge Economic History of India*, Volume 1, (Camb. Univ. Press, Cambridge, 1982.)
- Richards, J.F. (ed), *Kingship and authority in South Asia*, (Oxford Univ. Press, Delhi, 1978)
- Richards, J.F., "Fiscal states in India over the long-term: sixteenth through nineteenth centuries", (Unpublished paper, 2001)
- Richards, J.F., *Power, administration and finance in Mughal India*, (Variorum, Aldershot, 1993)
- Richards, J.F., *The Mughal empire*, (Camb. Univ. Press, Cambridge, 1995)
- Rizvi, S.A.A., *Religious and intellectual history of the Muslims in Akbar's reign, with special reference to Abu'l Fazl*, (Munshiram Manoharlal, New Delhi, 1975)
- Skinner, G.W., *The city in late Imperial China*, (Stanford Univ. Press, Stanford, 1977)

- Subrahmanyam, S. (ed), *Merchants, markets and the state in early modern India*, (Oxford Univ. Press, Delhi, 1990)
- Subrahmanyam, S. (ed), *Money and the market in India*, (Oxford Univ. Press, Delhi, 1994)
- Subrahmanyam, S., "Rural industry and commercial agriculture in late seventeenth century South-eastern India", *Past and Present*, Feb 1990
- Subrahmanyam, S., "The Mughal state – structure or process? Reflections on recent Western historiography," *Indian Economic and Social History Review*, 29,3 (1992)
- Subrahmanyam, S., *The political economy of commerce: Southern India, 1500-1650*, (Camb. Univ. Press, Cambridge, 1990)
- Tilly, C., *Coercion, capital and European states*, (Blackwell, Oxford, 1990)
- Tracy, J.D. (ed), *The rise of merchant empires*, (Camb. Univ. press, Cambridge, 1990)
- van der Woude, A.D. (ed), *Urbanization in history*, (Clarendon, Oxford, 1990)
- Washbrook, D.A., "Progress and problems: South Asian economic and social history", *Modern Asian Studies*, 22,1, (1988)

**LONDON SCHOOL OF ECONOMICS
DEPARTMENT OF ECONOMIC HISTORY**

**WORKING PAPERS OF THE GLOBAL ECONOMIC HISTORY
NETWORK (GEHN)**

For further copies of this, and to see other titles in the department's group of working paper series, visit our website at:

<http://www.lse.ac.uk/collections/economichistory/>

2004

- 01/04: State-Building, The Original Push For Institutional Changes in Modern China, 1840-1950
Kent Deng
- 02/04: The State and The Industrious Revolution in Tokugawa Japan
Kaoru Sugihara
- 03/04: Markets With, Without, and In Spite of States: West Africa in the Pre-colonial Nineteenth Century
Gareth Austin
- 04/04: The World Coffee Market in the Eighteenth and Nineteenth Centuries, from Colonial to National Regimes
Steven Topik
- 05/04: The Role of the Chinese State in Long-distance Commerce
R. Bin Wong
- 06/04: Imperialism, Globalization, and Public Finance: The Case of Late Qing China
Harriet T. Zurndorfer
- 07/04: Japanese Imperialism in Global Resource History
Kaoru Sugihara
- 08/04: Colonies in a Globalizing Economy 1815-1948
Patrick Karl O'Brien

2005

- 09/05 States and Markets in Latin America: The Political Economy of Economic Interventionism
Colin M. Lewis
- 10/05 Global Independence and Economic Backwardness in Latin America
Leandro Prados de la Escosura
- 11/05 “Trust In God – But Tie Your Camel First.” The Economic Organization Of The Trans-Saharan Slave Trade Between The Fourteenth And Nineteenth Centuries
Sebastian Prange
- 12/05 *Wu-Wei* in Europe – A Study of Eurasian Economic Thought
Christian Gerlach
- 13/05 Principal-Agent Problems in the French Slave Trade: The Case of Rochelais *Armateurs* and their Agents, 1763-1792
Albane Forestier
- 14/05 In What Way, and to What Degree, Did the Mughal State Inhibit Smithian Growth in India in the Seventeenth Century?
Frank W. Ellis