Mughal State Finance and the Premodern World Economy

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I

In the April 1979 issue of *CSSH*, Karen Leonard has advanced a new explanation for the decline and eventual collapse of the Mughal empire in India. She argues that "indigenous banking firms were indispensable allies of the Mughal state" (p. 152), and that the great nobles and imperial officers "were more than likely to be directly dependent upon these banking firms." (p. 165) Thus, when in the period 1650–1750 these banking firms began "the redirection of [their] economic and political support" (p. 164) toward nascent regional polities and rulers, including the British East India Company in Bengal, this led to bankruptcy, the ensuing series of political crises and the "downfall of the empire" (p. 152). On first consideration, this theory does offer a plausible means to explain some of the more puzzling aspects of the period of Mughal decline, circa 1690 to 1720. Certainly the faltering, after more than a century of steady increase, of the flow of resources toward the imperial center in the last decade of the seventeenth century, and the inability of the empire to pay its highest ranking cadre of officers, the *amirs* or nobles, and their followers are manifest. A coterminous erosion of authority, the loss of morale and confidence of badly isolated imperial officers stationed throughout the subcontinent, and the loss of fighting spirit amongst imperial armies bogged down in an interminable war against the Marathas in the Deccan are also well known. In the end, a political crisis, culminating in street fighting in Delhi, placed mere nobles as king-makers in control of a Timurid emperor, Farrukhsiyar, who ruled in 1713–19. Finally, dating from the latter's execution we can see the emergence of regional Mughal successor states. By 1720, as well, the Maratha powers under the Peshwa, Baji Rao I, were striking aggressively to bring the weakened Mughal provinces of the Deccan and Central India under their dominance. If, as seems to have been the case, a fiscal crisis accompanied, and possibly antedated, the crisis of imperial authority brought to resolution in the decade 1710–20, Karen Leonard's theory of the pivotal importance of the role of the bankers in this process more than merits our attention. Unfortunately, however, when pursued, this line of

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argument presents serious problems of documentation. To put the issue squarely: I simply cannot find sufficient evidence to support this theory.

It is certainly the case that various private banking firms played a significant and, one might argue, an indispensable role in the restructuring of the imperial system carried out by the rulers and elites of the various regional successor states in the eighteenth century. It is also very clear that these banking firms rose in power and importance because of their direct ties with the northern European trading companies. From the late seventeenth century on, the latter had been busily transmitting a new, intense, direct European demand for Indian goods to every port on the subcontinent. The Marathas, who, far more than the British, expanded at the expense of the crumbling Mughal provincial structure in the Deccan and Central India, also were heavily dependent upon the services of private bankers.[1] What is not certain, however, and - as far as I can determine - is not supportable by the evidence now available to us, is the notion that these "great firms" played the same role for the imperial system of the sixteenth and seventeenth centuries. In other words, my counterargument to this theory is that the so-called great firms rose with and contributed to the operation of new, regionally oriented polities and economies during a period which was relatively decentralized by comparison with that which preceded it - that of the Great Mughals. One can argue that the imperial system, constrained by its very centralized power, could not adapt to nor cope with the rapidly changing circumstances of the early eighteenth century, and thus declined. One can also make the point that some of these massive social and economic changes were engendered by the very success of the imperial system as it expanded. But that is a far different position from that under consideration.

What then is the direct evidence for the activities of the bankers in the seventeenth century? My short answer to that question is that the evidence is, at best, mixed and fragmentary, at least in the sources available to me at the present time. When we recall that the question of the decline of the Mughal

[1] *Cf.* Stewart N. Gordon, "The Slow Conquest: Administrative Integration of Malwa into the Maratha Empire, 1720-1760," *Modern Asian Studies* XI (1977): 1-40. In the new Maratha land revenue system in Malwa province, the civilian Brahmin collectors employed by the Peshwa (*kamavisdars*) were under contract to the central regime at Poona to collect land revenues in an area extending from one to five subdistricts (*parganas*). In this system, the collector paid one-third to one-half of his specified collections in advance to the Peshwa. This was treated as a loan from him and he was entitled to collect both the principal and the prevailing rate of interest from his territory. He, in turn, borrowed his capital from the Poona money market to make his advance installment payments.

G. T. Kulkarni has published the most detailed and authoritative study of the operations of a Maratha family banking firm which we possess: "Banking in the 18th Century: A Case Study of a Poona Banker," *Artha Vijnana* (*Journal of the Gokhale Institute of Politics and Economics*) XV (1973):180-200. The Patwardhan firm, functioning as banker to the Peshwas, served the Maratha state through branches in Nasik, Bombay, Aurangabad, and Bijapur. But the founders of the firm began as moneylenders in the town of Nasik in the first decade of the eighteenth century before moving to Poona.

empire has remained a major, much-debated issue for nearly two centuries, it is indeed strange that the role of the bankers in this major historical process has "gone unperceived" (p. 166). Moreover, unlike sources extant for earlier periods in Indian history, those from the Mughal period, especially from the mid-seventeenth century on, are both copious and extremely varied. (Many of the most important texts have been translated into English, published, and thereby made accessible for scrutiny by a wide audience.)

Consider the case of the house of Jagat Seth, the most prominent great firm in Bengal in the first half of the eighteenth century. Karen Leonard has utilized the lengthy, careful article of J. H. Little published in the 1920–21 issues of *Bengal Past and Present*[2] for most of her data on this firm. Little relied upon East India Company records, Mughal chronicles, a few documents remaining in the possession of the descendants of the family, and family oral tradition for his account.[3] The founder of the house was Hiranand Saho, who, according to the family tradition, left his birthplace, the town of Nagar in the state of Marwar (present-day Rajasthan), in 1652 to migrate to the river port of Patna in Bihar, a major commercial entrepôt located between Bengal and the imperial heartland at Delhi and Agra. He died at Patna in 1711, leaving seven sons and a daughter. The sons, again according to the family tradition, dispersed to follow the family profession as bankers in other trading towns. The eldest, Manik Chand, migrated further east to Dacca, the capital of the province of Bengal under the Mughals.[4] Hiranand Saho and his sons, members of the Osawal subcaste of Jain traders and bankers, clearly were part of the diaspora of Marwaris who, from the eighteenth century on, began to form such an important part of the banking and mercantile professions in India. In 1703 when the new fiscal officer and deputy governor of the province of Bengal, Murshid Quli Khan, shifted his residence and capital from Dacca to Murshidabad (newly named after him), Manik Chand moved also and built the family home in that city, where it has remained.[5]

Apart from these sparse details and a conclusion which can be drawn from later events that Hiranand Saho and his son Manik Chand were prosperous in their enterprises, no evidence exists as to the type of banking enterprise, its scope, or any possible connection with the Mughals and the British East India Company. As J. H. Little concedes, any other inference drawn about the fortunes and role of Manik Chand's banking house at Dacca prior to 1703 is purely "conjecture."[6] The first discernible reference to Manik Chand's house

[2] J. H. Little, "The House of Jagatseth," *Bengal Past and Present* XX (1920):11–200; *ibid.*, XXII (1921):1–119.

[3] *Ibid.*, XX (1920):113–14.

[4] *Ibid.*, pp. 116–17.

[5] *Ibid.*, p. 119.

[6] "No record remains of the doings of Manik Chand during these events [the removal of Murshid Quli Khan to Murshidabad]. . . . Perhaps Murshid Kuli [*sic*] Khan had already found out the value of his advice. . . . But this is conjecture." *Ibid.*, p. 118.

in the British East India Company's records, according to Little, occurs in 1706 in the form of "advice from Mannick Chund" that the chief imperial minister (*diwan*) had sent an order to permit trade of the East India Company to pass free in Bengal upon payment of a large fee to him.[7] The acquisition of such "advice" - business or commercial intelligence - was common among bankers, merchants, and moneychangers in Mughal India. From this brief notice we cannot infer anything other than a reasonably friendly connection between the British traders and Manik Chand; nor can we assume for him any especially intimate imperial relationship. The arrival of a formal order from the capital was usually common knowledge in any Mughal provincial town within a few days. It is only in 1711 that we discern the first hard evidence of any sort of formal connection between the East India Company and Fatah Chand (described as an "eminent merchant"), the nephew of Manik Chand, in the form of short-term commercial credit provided the trading company's factors in Bengal.[8]

In 1712 appears the first evidence of a special relationship with the Mughal empire. The Bengal governor, Murshid Quli Khan, faced disaster for backing a losing princely contender for the throne in the war of succession of that year. In response, he apparently lavished gifts and honors on Manik Chand and Fatah Chand so that they would spread a rumor that the governor's own contender had actually won the critical battle and had survived to become emperor.[9] Murshid Quli Khan thereby gained precious days in which to keep his enemies off guard and to consolidate his position in the province before the new emperor could attempt to remove him. Toward the end of the same year, some circumstantial evidence suggests that Manik Chand, through his agents in Patna, contributed to a forced loan totaling two to three hundred thousand rupees extracted by Prince Farrukhsiyar and his supporters, the Sayyid brothers. As the imperial crisis at the center deepened, the prince made a sudden, surprising march west to Delhi in a campaign which eventually won the throne from Jahander Shah, his half-uncle who ruled 1712-13.[10] However, it was only in 1716, the third year of Emperor Farrukhsiyar's reign, that

[7] *Ibid.*, p. 122.

[8] Because of political pressure put upon them by the governor of Bengal, the British could not purchase cloth directly from the merchants of Bengal. In this situation, they negotiated an agreement with Fatah Chand, Manik Chand's nephew, for him to make the purchase and advance the necessary funds. *Ibid.*, p. 123.

[9] *Ibid.*, p. 124.

[10] Contrary to Little's assertion, the king-maker Husain Ali Khan Sayyid, governor of Azimabad (Bihar), did not rely upon a loan extracted from the "bankers and principal men of the city" in order to muster a rebel army in anticipation of Prince Farrukhsiyar's arrival from Bengal. Instead, Husain Ali Khan seized the annual treasure shipment en route from Bengal to Delhi which was valued at over ten million rupees. Later, when the prince arrived at Patna, he imposed requisitions in kind upon the urban traders of Patna which totalled two to three hundred thousand rupees. Seizure of goods in the Dutch East India Company warehouses yielded perhaps as much as five hundred thousand rupees worth of goods. But the primary source of funding for the coup was one and possibly two shipments of revenue collections from Bengal. See William Irvine, *Later Mughals*, reprinted in 1 vol. (New Delhi, 1977), vol. I, p. 212.

a direct tie between the emperor and Manik Chand was established. According to Little, the family retained in its possession, as of circa 1920, an imperial rescript (*farman*) giving Manik Chand the honorific title of Seth.[11]

If authentic, the emperor's *farman* may have been sought by Murshid Quli Khan to legitimate the unusual fiscal services which Manik Chand and his house began to provide the Bengal government at about this time. Prior to 1717, the imperial mint and treasury in Bengal had been run by the appropriate Mughal officials in accordance with normal procedure. By the 1720s, it is clear that Manik Chand contracted to operate these two basic fiscal units in a radical departure from the practice of the centralized empire.[12] At this time as well, he and his associates began to manage the revenue collections for the governor and the *diwan*, again in a sharp divergence from imperial regulations. Murshid Quli Khan thus turned over his most critical fiscal operations to a "private" banker. In short, Bengal's transition to a regional polity opened up an opportunity for the banking house of Manik Chand to flourish by providing fiscal services and capital to the governor in a way which simply would not have been possible under the centralized imperial administration of the seventeenth century. In addition, an equally intimate connection with the British East India Company, which was then fostering the burgeoning exports of Bengal, placed Manik Chand in an enviable position between the legitimate political authority of the region and its most dynamic enterprise. The point of this lengthy discussion is that in the case of this particular great firm, I cannot find any support for the assertion that withdrawal of its indispensable services contributed to imperial decline. Instead, I think it is more accurate to suggest that private banking firms such as this contributed to the downfall of the empire indirectly - by providing essential fiscal services to the new provincial rulers of the early decades of the eighteenth century.

Moreover, I am far from certain that the term *great firm,* as defined by Leonard, is useful for a discussion of the economy of Mughal India. Within an economic system shaped and constrained by the steady, increasing flow of resources to the imperial center, several different types of commercial groups carried out obviously essential services. Graindealers/moneylenders (*baqqal, mahajan*) engaged in financing the land-tax system by lending cash to peasant village headmen or to rural aristocrats who were forced to pay the state demand in cash. They also purchased, stored, shipped, and sold grain and other agricultural products for the chain of markets running from the small subdistrict town (*qasba*), the center of 50 villages, to the larger towns and imperial cities in Mughal India.[13]

[11] Little, "House of Jagatseth," XX (1920):131.

[12] *Ibid.*, p. 133.

[13] Irfan Habib, *The Agrarian System of Mughal India* (Aligarh, 1963), pp. 75-81. For a detailed description of rural markets and fiscal devices, see the extremely important but little known article by B. R. Grover, "An Integrated Pattern of Commercial Life in the Rural Society of North India during the 17th-18th Centuries," *Proceedings: Indian Historical Records Commission* 37 (1966):121-53.

Moneychangers/moneylenders (*sarraf*) specialized in short-term commercial finance through bills; in currency valuation and exchange; in a limited form of deposit banking; and in the interurban transfer of funds by means of bills of exchange (*hundis*). *Sarrafs* also bought and sold, whether coined or uncoined, precious metals. They routinely brought specie and foreign coins to the imperial provincial mints to be melted and stamped as current coin on payment of a fee.[14]

Brokers (*dallalan*), usually Hindus from mercantile castes, were a "highly specialized commercial group in medieval India."[15] Family groups of brokers acted as intermediaries to obtain buyers for goods for their clients and to obtain higher prices from buyers. Or, for clients making purchases, brokers found producers or middlemen and tried to get the lowest possible prices. Also, provincial fiscal officers in Mughal India appointed brokers to register the sale and purchase of articles for tax collection purposes. It is worth noting that the continuously expanding demand for goods on the part of the trading companies encouraged a substantial growth in the profession. Established brokers faced with more and more business resorted to employing non-kinsmen as their assistants or subbrokers, or they formed partnerships with other families of brokers to handle the increased work load (and increased profits).

Finally, of course, merchants and traders (*seth, sahu*), organized into "markets" in every Mughal city and large town, bought, sold, and frequently ordered and financed the production of the wide range of goods consumed by the cities. Not infrequently, prosperous merchants also lent money at interest to commercial or other borrowers.[16]

In each of these four lines of commercial and financial activity, we can be reasonably sure that in seventeenth-century Mughal India many Hindu or Jain family houses existed. The more successful of these probably developed ever more complex and formalized networks of branches scattered among the various urban trade centers of the empire.[17] Stationed at the branches were male kinsmen subordinate to the head of the central establishment in the native city or town of the house. It is certainly true that many of these houses commanded considerable resources. We can occasionally document cases of merchants reputed to have enormous wealth at their disposal. I should add that the combined credit resources of kinship-tied houses belonging to the same mercantile subcaste could add considerably to the capital and credit of the

[14] Irfan Habib, "Usury in Medieval India," *Comparative Studies in Society and History* 6, no. 4 (July 1964):393–419.

[15] A. Jan Qaisar, "The Role of Brokers in Medieval India," *The Indian Historical Review* I (1974):220–46.

[16] For the organization of markets in Hyderabad city in the late seventeenth century, see J. F. Richards, *Mughal Administration in Golconda* (Oxford, 1975), pp. 187–88.

individual banker, merchant, broker, or moneylender. However, even the wealthiest of these men were not direct participants in the imperial system, nor were they "indispensable allies of the Mughal state" (p. 152). Their services were limited and dispensable. Private bankers or moneychangers did not control or manage the imperial treasuries and mints; private entrepreneurs did not collect imperial revenues. In the larger commercial centers, the Mughals imposed order and controls on the indigenous system of market and trader organization by formally recognizing trader/headmen for each specialized market (in return for cash payments by the recipients) and by appointing an officer (*amin* of *sa'ir*) locally recruited from the commercial community to serve as a collector of urban taxes in tandem with imperial officers.[18]

It is certainly possible that official and quasi-official Mughal chronicles and memoirs preoccupied with centralized authority and power and with military success in the cause of Islam might have preferred to ignore an unpalatable dependence of the Indo-Muslim state upon non-Muslim Hindu and Jain bankers. Thus, Khafi Khan, in his year-by-year narrative of the 50-year reign of the Emperor Aurangzeb (1658–1707), is silent in this regard. In his narrative, a Mughal prince might rarely wring a large loan forcibly from the commercial community of a city when caught by the desperate demands of a sudden war for succession – as did Murad Bakhsh with the merchants of Surat in 1656.[19] In no sense is any imperial dependence upon private capital and capitalists expressed in Khafi Khan.

If we turn to presumably more open sources, the same silence prevails. In 1641 at Agra, the very heart of the empire in the reign of Shah Jahan, the Jain merchant Banarsidas, a jewel trader, composed his autobiography, the *Ardha Kathanak* ("half the story" or half his life at.55 years) in old Hindi verse.[20] Any reference to great firms is lacking in this memoir. Throughout this extended recollection, translated by Ramesh Chandra Sharma, the relationship of even the most prominent and wealthy merchants to various Mughal officers is not at all easy. In 1600, Banarsidas's father, Kharagsen, had become extremely prosperous trading in pearls and jewels in the city of Jaunpur. The Mughal governor appointed under the Emperor Akbar, a man titled Qilich Khan, suddenly arrested all the jewelers in the city. By means of beatings and confinement, he extorted from Banarsidas's father virtually his

[17] See Grover, "Integrated Pattern," pp. 127–28.

[18] *Ibid.* See also, for a translation of the appointment order for the *amin* of *sa'ir*, J. F. Richards, *The Official Structure of a Mughal Province*, forthcoming.

[19] Khafi Khan, *Muntakhab-al Lubab*, Bibliotheca Indica (Calcutta, 1869–1925), *passim*. For a reliable English translation of Khafi Khan's account of the reign of the Emperior Aurangzeb (1658–1707), see S. Moinul Haq, "Khafi Khan's History of Alamgir," *Journal of the Pakistan Historical Society* 12–20 (1964–72); for the 500,000 rupee forced loan extracted by Prince Murad Bakhsh, see *ibid.*, 18 (1970):191–92.

[20] Ramesh Chandra Sharma, "The *Ardha-Kathanak*: A Neglected Source of Mughal History," *Indica* VII (1970), Part One:49–73, and Part Two:106–20.

entire fortune. As a result, the now destitute family moved to Allahabad for over a year until it could return to Jaunpur after Qilich Khan was recalled to the imperial capital.[21] Reflecting his own childhood memories of this harsh experience, and also the general attitude of at least one highly visible and wealthy commercial group, the Jain and Hindu jewel traders, Banarsidas's memoir conveys a profound suspicion and wariness of capricious imperial power and officials. This attitude seems to emerge far more from a sense of weakness, of helplessness, rather than from any feeling of great influence or power vis-à-vis the regime.

From around 1560, early in Akbar's reign, until the last decade of the eighteenth century, war plunder, tribute, and massive agrarian tax collections combined to generate for the empire resources which, save in truly exceptional years, far exceeded its expenditures. This surplus was held in liquid reserves stored in the central or provincial treasuries. In addition, much of what must also be viewed as an imperial surplus remained with the five hundred or more Mughal nobles (*amirs*) or with several thousand other lesser officers, some of whom became astoundingly wealthy.[22] In other words, until the crisis of the Deccan wars, the empire was self-financing and did not depend upon the private sector for capital. Imperial officers utilized the skills of private bankers and others to assist them in the task of managing the vast funds at their disposal - but did not depend upon investment of funds, nor upon large long-term loans to operate the machinery of the state. Numerous examples attest that the Mughal nobles freely entered the market. As investors, speculators, engrossers, merchants,[23] or shipowners, they used their own funds, and occasionally monopoly powers, to make a profit. It is also unquestionably the case that each Mughal officer of any rank or status, including members of the royal family, counted among his entourage a fiscal officer or agent, recruited from Hindu or Jain commercial castes. Employed for their fiscal acumen and skill, as well as for connections to the local and regional commercial scene, such agents were neither merchant princes nor already wealthy bankers capable of offering both capital and vital political advice and support to the noble. They did not have the public visibility of a Manik Chand or his successors in the house of Jagat Seth in the eighteenth century. They

21 *Ibid.*, Part One, pp. 58-59.

22 Habib notes that in seventeenth century Mughal India "after allowing for all 'leakages' the net revenue collection taken completely outside the sphere of rural economy probably amounted in value to a fourth or a third if not a half of the total agricultural produce." The recipients and controllers of by far the greater part of this massive sum were the emperor and his nobles, i.e., the ruling political elite. Habib, citing computations carried out by A. Jan Qaiser, puts the income of 445 nobles in the year 1647 at 61.5 percent of the total income of the empire. Although much of this went for the support of cavalry contingents and for other official obligations, much also remained for conspicuous consumptions. Irfan Habib, "Potentialities of Capitalistic Development in the Economy of Mughal India," *Journal of Economic History* 29 (1969):53-54.

23 See M. Athar Ali, *The Mughal Nobility under Aurangzeb* (Aligarh, 1965), pp. 155-57, for the career of Shaista Khan, who monopolized the internal trade of Bengal in the 1670s.

were employees and agents necessary to the servicing of the often immense income, expenditures, and vast resources of their employers.[24]

The resources of the continuously expanding empire prior to the Deccan wars made it unnecessary for the emperors to employ or to borrow from wealthy merchant princes. It is difficult to visualize the full extent of the imperial reserves in the seventeenth century.[25] Even after nearly two decades of the unceasing drain on the liquid treasury reserves necessary to support the Maratha campaigns in the south, the Mughal vaults were far from entirely depleted. Upon the long-awaited death of the aged Emperor Auzangzeb in 1707, his son, Prince Muazzam (who, as Emperor Bahadur Shah, ruled 1708-12), seized various provincial treasuries and the central reserves at Agra, the capital, to finance his struggle in the forthcoming war of succession. En route from Peshawar, he collected 2,800,000 rupees from the provincial treasury at Lahore; 800,000 rupees from the vaults of the military governor of Sirhind, and 3,000,000 rupees from the provincial treasury at Shahjahanabad (Delhi). When he reached the fort at Agra and seized the central vaults, the prince found coined and uncoined gold and silver computed by his officers to be the equivalent of 240,000,000 rupees.[26] (This figure contrasts with the near-total resources of the entire citizenry of Surat, the wealthiest trading center and port in the empire. In 1664, after a determined sack and looting, accompanied by torture of all the residents, lasting four days and nights, the Maratha rebel ruler Shivaji reportedly took away with him a booty worth 10,000,000 rupees.)[27]

Commencement of the siege of the Maratha-held Jinji fortress in the far south in 1690 marked the beginning of seventeen years of extraordinary military losses and expenses coupled with an empire-wide decline in revenue collections. That the protracted Deccan wars of Aurangzeb put severe fiscal and political pressures on the nobility, other imperial officers, and all connected with the regime there can be little doubt. Nevertheless, prior to 1690, the Mughal revenue system generated revenues sufficient to meet expenditures without resorting to the private capital market. Even the financing of military campaigns, a heavy burden for any state, did not demand noticeable participation by private bankers. Mughal field generals drew cash advances for campaigning expenses either from the central treasury or from provincial treasuries; they drew their supplies and munitions from the imperial stores. They also received written drafts upon provincial treasuries and armories for further cash and supplies. On campaign, Mughal field generals and their

[24] See *ibid.*, pp. 161-62, for a description of the fiscal offices of a noble's establishment.

[25] Habib comments that although the individual nobles left behind "vast treasure hoards" (in one instance six million rupees in cash) the "imperial treasure hoard was, in comparison, enormous." An official account put the Emperor Akbar's treasure at his death in 1605 at seventy million rupees in cash alone. Habib, "Potentialities of Capitalistic Development," p. 58.

[26] Irvine, *Later Mughals*, vol. I, pp. 20-21.

[27] Jadunath Sarkar, *History of Aurangzib*, 5 vols. (Calcutta, 1912-30), IV:57.

subordinate commanders each led a stipulated force of heavy cavalry, war elephants, and artillery in his direct, private employment. These officers used their own treasuries and the income from their assigned revenue-producing lands (*jagirs*) to help finance their campaigning. Any plunder or treasure seized in the course of a campaign could also be used for its completion. Throughout each expedition, a specially-appointed fiscal officer (*diwan-i fauj*) and his staff kept careful accounts of all transfers in the system, including the extraordinary expenditures incurred by the commander or any of his subordinates. All of these accounts were balanced and settled by treasury officers after the return of the army.

Thus, before he left Agra in 1664 at the start of his campaign against the Maratha leader Shivaji, the celebrated Rajput general Mirza Raja Jai Singh obtained 100,000 rupees from the central treasury, and while en route collected 600,000 rupees from the provincial treasury of Malwa. He assembled munitions, artillery, and other supplies from imperial stores before his departure and received shipments from the Deccan stores thereafter.[28] According to Manucci, who served as an officer and personal aide of Jai Singh on this campaign, the raja called up 60 *lakhs* (6,000,000 rupees) from the treasury of Amber city, the capital of his tributary kingdom, in order to pay troops and his subordinate Rajput lineage-mates and commanders.[29] Upon completion of the five month campaign, Jai Singh reported that the total cost of the campaign (presumably excluding his ordinary salary expenses) amounted to 2,200,000 rupees. Finally, after a five month delay, he received a shipment of 2,000,000 rupees in November of 1665 from the Malwa treasury.[30] Despite this extended wait, we find no reference in his despatches either to serious distress on his part or to any recourse to private bankers.

State finance under the Timurid dynasty (before circa 1720) attained an unprecedented capacity to mobilize, to regulate, and to disburse vast funds, primarily in precious metal currencies. Moreover, in contrast to the decentralized finance of varied polities which emerged after the decline and breakup of the empire in the eighteenth century, private agency played a distinctly subordinate, ancillary role in the imperial system. As was the case in every other aspect of the highly centralized imperial system, Mughal finance survived among its successor states only in a much debased form. Technical terms, offices, and formal procedures remained in use, but served administrative systems which were adapting to the reduced organizational and monetary needs of regional and subregional kingdoms ruled by protodynasts and elites

[28] Jagdish Narayan Sarkar, *The Military Despatches of a Seventeenth Century Indian General* (Calcutta, 1969), pp. 86–89.

[29] Niccolao Manucci, *Storia Do Mogor*, William Irvine, ed. and trans., 5 vols. (London, 1907), II:120–21.

[30] Sarkar, *Military Despatches*, pp. 103–4.

fast becoming indigenous to the region. In short, the marked alteration of the imperial fiscal institutions in the early eighteenth century contributed to a major disjuncture in the history of India - a pronounced realignment of every sphere of public life on the subcontinent.

II

In view of the well-recognized fiscal difficulties of premodern states in Europe, usually employed as the model for this type of centralizing state in the pre-1800 world, how do we explain the economic strength displayed by the Mughals? And, if that capacity is conceded, why then did the empire decline and collapse? In an essay such as this any answer to these questions must necessarily be broad and sketchy. Nevertheless, it is possible to argue that the vast financial capacity of the Mughal empire derived from a conjuncture between several historical processes. It was this conjuncture, occurring in the first half of the seventeenth century, which was part of the totality of forces which shaped the premodern world economy.

One set of historical processes may be termed indigenous in that it was either internal to India or focused upon the Indian subcontinent. Beginning as early as the first decades of the seventh century A.D., and extending continuously for nearly a full millenium *before* the founding of the Mughal empire in 1526, the process of Islamic invasion from the northwest, conquest, and absorption of territory proceeded within the Hindu-Buddhist cultural realm of the subcontinent. An Indian or Indo-Muslim type of state structure, the sultanate, and a political tradition evolved from the momentum of victory. Behind the slowly moving military frontier originated a distinctive Indo-Muslim society created from converts and migrants which displayed the vital institutions of orthodox Islam.[31] Successive Indo-Muslim states were generally more centralized than the conquered indigenous polities. Second only to military needs, the sultans devoted their organizational capacities and energies toward improving, consolidating, and intensifying the traditional state demand for a fixed share of the produce of the soil. They generally discouraged assessment and collection in actual produce in favor of money payments made in silver-based currency systems.[32] Successive Muslim sultans in various regions also encouraged settlement, land clearing, and the upgrading of crops from subsistence food to more valuable commodities. Finally, in the early thirteenth century, Indo-Muslim armies conquered the heartland of North India, the great

[31] For the military frontier, see A. L. Srivastava, "A Survey of India's Resistance to Medieval Invaders from the North-West: Causes of Eventual Hindu Defeat," *Journal of Indian History* 43 (1965):348-68; and J. F. Richards, "The Islamic Frontier in the East," *South Asia* IV (1974):91-109.

[32] The most reliable and accessible discussion of both pre-Mughal and Mughal Indian Muslim agrarian systems is the summary provided by Irfan Habib, "The Social Distribution of Landed Property in Pre-British India," *Enquiry*, n.s. II (1965):21-80.

Indo-Gangetic plain, and established their capital at Delhi, which became the massive redoubt of Indian Islam. The new rulers used the great engine of the land revenue demand to stimulate higher levels of agricultural production. Simultaneously, newly consolidated urban markets of the expanding state fostered industrial production and commercial activity throughout North India. After a series of early fourteenth-century conquests, Muslims achieved a new integration with the already highly productive economy in the far south of the subcontinent. The founders and builders of the Mughal empire in the sixteenth century were heirs to this vital, confident tradition of conquest, territorial assimilation, state building, and systematic expropriation from the peasantry of India.

The second historical process may be found in the steady, incremental improvement of the efficiency, security, and capacity of the long-distance maritime trade running from the Mediterranean and East Africa to China and Japan.[33] Dozens of port entrepôts linked in an autonomous market system free of state intrusion (save in positive supports for trade within the ports) moved increasingly large quantities of trade goods at surprisingly low cost. By the fifteenth century, piece goods of cotton and silk, porcelain, foodstuffs, and even elephants and horses were routinely transported along these sea routes.

Partly because of its location at midpoint, but more because of its role as a major producing region, India was the fulcrum of this medieval trade. The profits of widely dispersed Indian mercantile groups engaged in the trade, the profits of entrepôt services at the score of major Indian ports, the self-sufficiency of Indian production, and a universal market for Indian textiles, precious stones, spices, etc., placed the subcontinent in a position of having a large and recurring surplus. Insofar as essentially anecdotal evidence can determine, gold and silver in coin or in bullion flowed steadily into India. Islamic expansion in India and its accompanying pressure and incentives for enhanced production and trade both benefitted from and contributed to the medieval role of India in a burgeoning world maritime commerce.

The Emperor Akbar's reign (1556–1605) saw a culmination of these converging developments. For nearly five decades, Akbar and his extraordinarily able coterie of intimates and advisers drew upon the Indo-Muslim administrative tradition – and the profits of military conquest – in order to erect an effective system of state finance. In keeping with the imperatives of Islamic monarchy, he and his advisors established and sustained the silver rupee (approximately 11 grams) supported by ancillary gold coins at the upper and copper coins at the lower end of the imperial monetary system. The silver

[33] Among other writings, see M. A. P. Mellink-Roelofsz, *Asian Trade and European Influence* (The Hague, 1962), pp. 27–115; Paul Wheatley, "Geographical Notes on Some Commodities Involved in Sung Maritime Trade," *Journal of the Malayan Branch, Royal Asiatic Society* XXXII (1959):1–140; and J. F. Richards, "Precious Metals and the Pattern of Commerce in the Late Medieval World Economy, 1200–1500 A.D.," forthcoming.

rupee, stamped from meticulously engraved dies, retained its extremely high degree of fineness in silver without any known debasement for nearly two centuries. As the empire expanded and war plunder made large quantities of gold and silver available, Akbar and his successors established mints in every provincial capital city and in other important trading cities throughout the empire. Centrally appointed officers and employees of the mints accepted bullion or coin from local moneychangers, from merchants, or other private individuals. These officers, after deducting a fee for manufacture, returned to the patron newly struck gold, silver, or copper coins. In order to meet specific administrative needs of the state, the mints also uttered coinage in return for imperially owned bullion.

The Mughal coinage system, with its uniform imperial standards of weights and measures, was imposed throughout the subcontinent over dozens of local monetary systems. The finance ministry's unyielding requirement that all tax and tribute be paid in imperial coin was the effective impulse for diffusion of the rupee. The imperial system of so-called free minting by individuals and forced use of rupees for taxes and official disbursement purposes provided a mechanism for converting the vast sums of foreign bullion and coin which annually poured into Indian ports. Backed by the vigilance and fiscal resources of the empire, the system of minting afforded a workable defense against the intrusion and circulation of overwhelming quantities of foreign coin within the empire. Ample supplies of silver obtained from the coffers of vanquished and tributary monarchs, as well as the inflow of New World and Japanese metals, permitted imperial mints to issue the standard silver coin in numbers grown to the tens of millions in circulation by the latter part of the seventeenth century.[34]

The size and scale of the empire, its monetized tax system, a steadily growing internal and external commerce, and a massive output of coin demanded a corresponding organizational capacity. To meet official needs for handling revenue collections and salary disbursements, Akbar and his advisers set up a network of treasuries running from the more important subdistricts to the district, the provincial, and finally the central treasuries. Directly appointed officers at each of these treasuries received and secured deposits, kept records, submitted twice-monthly reports and, on receipt of written orders, paid out and transmitted funds. Most transfers of official funds were carried out by imperial messengers and armed escorts carrying coin or bullion rather than by resort to the private network of bills of exchange offered by associated groups of moneychangers.

By far the most impressive administrative achievement of the imperial elite under Akbar was its successful restructuring of the Indo-Muslim land-revenue

[34] See Irfan Habib, "Currency System of the Mughal Empire, 1556-1707," *Medieval India Quarterly* IV (1961):1-22.

system in North India and establishment of a routine for extension of this system to subsequent annexations to the empire. It was clearly in the implementation of this effective advanced system that the financial strength of the empire resided. After a series of trial-and-error experiments carried out in the heartland of the empire between 1560 and 1580, the emperor and his ministers established the operational principles of the new system. Once fixed, these were extremely stable.

By avoiding questions of technical detail, and at the risk of some distortion, we can list the most prominent features of the Mughal agrarian revenue system.[35] Political and other considerations dictated the division of lands within the empire into tributary territories governed by kings, or rajas, holding powers of internal autonomy as opposed to the greater part of the empire administered directly under the ''regulation'' (*zabt*) system. Within the latter, the state set a money demand or assessment for the royal share of agrarian production at each harvest which could be as high as one-half of production and which was levied upon every village, subdistrict, district, and province. The amount of the royal assessment was based on a determination of the cultivated area for each village and larger unit and the kinds of crops grown, with reduced rates for more valuable crops such as sugarcane, and on the records of output for previous harvests per crop and records of previous marketprices. The revenue ministry first established and later at protracted intervals revised its demand. Records maintained by local village and subdistrict revenue accountants who were officially recruited, supervised, and paid were a continuing source of information for the state. But the state also engaged in an ongoing cadastral survey in order to establish field-by-field tenures and cropping patterns within the village and subdistrict.

Within the reserved lands kept for the central treasury - about one fourth of the directly administered area - treasury collection officers obtained the required payments in installments from village headmen acting for the village cultivators. Or, alternatively, central treasury officers collected stipulated revenues from a variety of rural warrior aristocrats who held prescriptive rights to control of the peasantry over a specified tract of territory. The state allowed these intermediaries (*zamindars*) to retain a minor share of the formal revenue demand, tax-free lands, and their local positions of power in return for enforcement of the revenue collection and order in the countryside.

For the remaining lands under direct administration, the finance ministry assigned the revenues of villages, subdistricts, or portions thereof to imperial officers (*mansabdars*) in order to meet their personal salary needs and the pay allowances for heavy cavalry or other military contingents that their rank demanded that they command and pay. The officers thus assigned these revenue-producing *jagirs* were not resident upon them but received the reve-

[35] See Habib, *Agrarian System*, for a complete treatment of the Mughal system.

nues from these lands temporaily for several years. The assignees sent personal servants or salaried agents to their lands in order to collect taxes either from the peasants directly or from the *zamindars*. In its essence, the much-discussed Mughal *jagir* was a fiscal device, an attenuated version of the Muslim fief for salary assignment purposes, which conveyed no rights of control, residence, or ownership over the lands and peasantry in question. High-ranking officers often served as far as a thousand miles distant from some of their *jagirs*. As did the central treasury, the nobles and other *jagir* holders received their revenues in cash. A system established to compile and record a rolling 10-year average on crop returns and market prices served to keep a reasonable fit between salary needs and actual conditions in each tract alienated by the state.

When working properly, the system acted to spur commercial activity, to enhance production of foodstuffs and industrial cash crops, and to increase the state's revenue base. Mughal refinement of the Indo-Muslim system and uniform implementation of the system throughout the greater part of the subcontinent deepened and extended the hierarchy of markets which ran from the subdistrict headquarters to larger market towns, to district markets, to provincial capitals, and eventually to the largest imperial centers. Thus the flow of produce forced from the countryside by the imperial tax demand worked its way up through the system of markets in return for the cash needed to pay the revenue. At every level, graindealers/moneylenders moved commodities toward the cities and cash back to the villages. Simultaneously, the state acted directly to encourage increased output by making direct loans or advances to cultivators, by instituting tax incentives for digging wells and planting more valuable cash crops, and by granting tax concessions to encourage land clearing and colonization. Whether these incentives were sufficient to enhance productivity and offset the pressure of a heavy state tax demand and of inadequate local investment on the part of the frequently transferred *jagir* holders, is a much-debated question.[36] But that the empire did succeed in obtaining close to its assessed share of production through the land-revenue - at least until the latter part of Aurangzeb's reign - and did succeed in centralizing its control over the disbursement of those resources has not been seriously questioned.

The land-revenue system of the Great Mughals far surpassed the revenue structures of any of its contemporary European states in its scale of operation (i.e., the total land area, population, and resources controlled) and its organizational cohesion (i.e., the use of paid officials and formal administrative mechanisms). The seventeenth-century imperial Mughal fiscal position contrasts sharply with that of the French administration. Unlike the French kings

[36] See the writings of Irfan Habib cited previously for the arguments in favor of an exploitative system.

of the *ancien régime*, the Mughal emperors did not resort to private capital, short-term loans and intermediary financiers to escape bankruptcy.[37] The scale and degree of centralization displayed in the revenue system of Mughal India is far closer to that of China prior to 1644 under the Ming. And in terms of revenue collections from the countryside actually reaching the central administration, the Mughal revenue ministry was apparently far more successful than its Ming Chinese counterpart.[38]

The dynamic changes taking place in the economy and society of northern Europe by the fifteenth century which found expression in several especially vivid modes of outward expansion had important consequences for India and the remainder of Africa and Asia. The first development or process was the persistent Iberian effort directed toward maritime exploration in both the Atlantic and the Indian Ocean. Throughout the fifteenth century, the Portuguese state displayed its remarkable organizational capacity in the systematic discovery, conquest, and exploitation of coastal states and ports from West Africa to Japan. The resulting Portuguese domination of the previously autonomous maritime commerce of this vast area was a truly notable achievement - despite all the qualifications which are usually made in scholarly descriptions of the system.[39]

Portuguese naval squadrons possessed unchallenged supremacy on the Indian Ocean sea lanes. On the coasts, Portuguese military captains assaulted, garrisoned, and held fortified ports and entrepôts from Mombasa to Malacca. Goa, the island port and its hinterland on the west coast of India, was the nerve center of the entire system and the residence of the Viceroy of the

[37] See Julian Dent, *Crisis in Finance: Crown, Financiers and Society in Seventeenth Century France* (London, 1973). "By 1661, the royal finances had been almost entirely subverted by the search for short-term credit" (p. 232). Dent describes in detail the configuration of a group of financiers who "became centralizing agents for speculative investment in the financial machine of the state" (p. 65). See also Herman van der Wee, "The Financing of the Mercantilist State," in *The Cambridge Economic History of Europe*, E. E. Rich and C. H. Wilson, eds. (Cambridge, 1977), vol. V, for a pan-European view.

[38] See Ray Huang, *Taxation and Governmental Finance in Sixteenth Century Ming China* (Cambridge, 1974), pp. 306-23, for a summary of the limitations inhering in the Ming fiscal system which meant that the central government "had practically no surplus to dispose of" (p. 319).

[39] Certainly the royal pepper monopoly cannot be faulted for its return to the crown. Niels Steensgaard and others have calculated a more than 450 percent return on total investment per quintal of Indian pepper sold in Lisbon or Antwerp by contractors to the king. See Niels Steensgaard, *The Asian Trade Revolution of the Seventeenth Century* (Chicago and London, 1973), pp. 81-111, for an analysis of the Portuguese system. Steensgaard argues that, unlike the East India Companies in the seventeenth century, the "parasitic monopoly" imposed by the Portuguese crown on direct Asia-to-Europe trade did not reduce costs. Instead, the Portuguese extracted their protection levy on the sea trade up to the point at which costs might drive traders into use of the overland caravan routes. See also M. N. Pearson, *Merchants and Rulers in Gujarat* (Berkeley, 1976), pp. 30-56, for another description of the Portuguese structure. Pearson stresses the failure of the Portuguese to achieve their aims fully in either the engrossment of pepper or the control of shipping (largely because of the critical failure to seize Aden, at the mouth of the Red Sea) (pp. 52-56).

Estada da India. Portugese royal policy aimed consistently at the procurement of Indian and Southeast Asian pepper and its shipment back to Portugal for sale to European markets at a lucrative monopoly price. In the absence of any viable large-scale European exports to Asia, the crown attempted, on the whole successfully, to recover a sizable part of its ongoing establishment expenses, as well as the cost of buying and shipping the pepper, by levying a "protection" tax on all Indian Ocean trade. Despite some slippage, the Portuguese squadrons were able to insist that all mercantile vessels sailing these routes obtain and carry official passes which could be purchased only at Portuguese-held ports. This diverted most shipping to the ports and entrepôts held by the Portuguese and enabled them to demand heavy customs fees from all shippers and traders. Opportunities for bribes, unofficial exactions, and for private trade among Portuguese officers and private individuals further increased the overall returns of the system to the home country.

Although the Portuguese presence in the Indian Ocean after 1510 probably neither raised capacity nor increased efficiency in the export trade from India, it did cause certain important changes. Goa rapidly emerged as a competitive major terminus for the Persian Gulf trade, especially for the import of horses to the south; as a major collection point for the spice exports; and as an importer of foodstuffs and other commodities by means of coastal trade. Goa and its mainland territories also constituted a small but powerful colonial state - the first European-controlled territory in India - which was intimately involved in the political relations of the regional Indian kingdoms and sultanates prior to the Mughal invasion of the south. Goa's trading preeminence, the royal monopolies on spice exports, and the developing interests of Portuguese private traders all competed against and undercut to some extent the export role of indigenous Indian and other non-European traders. Certainly not able to displace the latter completely, the Portuguese intrusion in the Indian Ocean trade did begin the long drawn-out process of gradually pushing out indigenous merchants in favor of European traders and their allies, e.g., the Armenians.

Of more immediate importance for the Indian economy was Iberian access to new sources for low-cost precious metals used to pay for Indian products.[40] Thus, in the 1520s and 1530s the Portuguese crown shipped directly to Goa gold intended for procurement of pepper. During these decades, a portion came from the large quantities of rapidly exploited West Indian alluvial gold production and from the Portuguese West African coastal settlements which were busily obtaining gold from the interior by every conceivable means. By the 1550s, official shipments of treasure from Lisbon were a major conduit for

[40] Information on the precious metal imports is derived from Pierre Vilar, *A History of Gold and Money, 1450-1920* (London, 1976), pp. 46-101. Vilar comments that "the flow of silver from West to East to pay for the Oriental trade increased between the beginning and the end of the 16th century from 20,000 kg. to 64,300 kg." (p. 101).

New World silver pouring into India. By this date as well, Spanish silver crowns or *reals* started arriving in the Gujarat ports, Goa, and other west coast ports by the hundreds of thousands. By 1560, the fruits of Portuguese exploitation of Zambesi gold, the "Monomotopa" gold extracted from shallow open-shaft mines, began to reach Goa. Forty years later, direct shipments from Kilwa, Mombasa, and Mozambique to Goa totaled around 1,500 kilograms per year of refined gold. Beginning in 1580, the Portuguese became principal agents for the transport of the approximately 2,000 kilograms a year of silver which started to flow from Japan to India.

In the south, Portuguese gold imports clearly supplied a large part of the metal needed for the ubiquitous gold *hun* or 'pagoda' coin issued by the mints by both Hindu and Muslim regional kingdoms. In the north, American and Japanese silver supported the steeply ascending output of silver rupees struck by Mughal imperial mints during Akbar's reign. Apart from the continuing process of dishoarding achieved through conquest or tribute taking, imports formed the only feasible source of metal for large currency issues in the early modern period. With the exception of a silver mine opened in Rajasthan, which was controlled by the Rajput Rana of Mewar, domestic Indian production of both silver and gold had remained negligible for centuries.[41] In short, the size, liquidity, and flexibility characteristic of state-controlled currencies in sixteenth-century India depended upon steadily rising imports of precious metals derived from new sources.

The pace of Indian Ocean commercial development quickened after the rise of northwestern Europe to industrial and commercial primacy in place of the Italian city-states. An essential element in this shift was the aggressive commercial thrust of northern European entrepreneurs outward into the Baltic, the Atlantic, the Mediterranean, and the Indian Oceans in search of export markets and of sources for commodities for import. As this development proceeded, it became reciprocal. Advances in production, in communication, and in finance at home encouraged expansion, while the profits, imports, ideas, and new energies obtained in the Baltic or Mediterranean furthered the advances at home. The dramatic success of northwestern European commercial expansion also rested, in part, upon the articulation of a new, more complex but more effective, organizational form. Created under royal charter, the joint-stock company furthered national and private economic interests under monopoly guarantees in a specified region for specified products. The new joint-stock companies represented a fusion of public and private interests within a technically superior organization.

The net effect of the joint-stock companies' centralized control, joined resources, and state-enforced regional monopolies - all trading conditions

[41] F. R. Allchin, "Upon the Antiquity and Methods of Gold Mining in Ancient India," *Journal of the Economic and Social History of the Orient* V (1962):195-211.

similar to those imposed in the political realm by a centralizing state - was to impose upon, or to substitute for, individual traders operating precariously in a series of often unstable markets, the greater certainty of organized, administratively controlled exchange. As the trading companies steadily evolved in organizational capacity, it is clear that they proved more and more efficient at penetrating distant markets, in shaping domestic production to fit export needs, and in vending greater quantities of goods with improved efficiency. Similarly, the acquistion of commodities, control of on-site processing, storing, selling, and exporting became more profitable for sharers in the joint-stock company and for the national economies of northwestern Europe.

In Asia, at the opposite end of the unfolding and enlarging exchange pattern surrounding northwest Europe, the new organizational capacity of the joint-stocks began to be felt. While it is true that the European companies in the sixteenth and seventeenth centuries were in no position to challenge the sovereignty and power of any sizeable Asian or African kingdom or empire, we cannot overlook the fact that organizational concentration of demand or of supply coupled with the active support of diplomatic representatives of the European monarchs, did put new, unprecedented pressure on the structure and practice of commerce. In the case of Mughal India, it was the post-1600 intersection of the dynamic imperial economy with the northern European trading companies which produced a critical nexus between the subcontinent and the economic center of premodern Europe. The seventeenth century conjuncture between India and Europe was closed by the intersection of three centralized, large-scale, rationalized organizations: the Mughal empire, the Dutch East India Company, and the British East India Company.

Both the Dutch and the British East India Companies evolved a centralized management system under a central board of directors (The Court of Directors in London and the ''Seventeen'' in Amsterdam) representing the shareholders. These boards held powers commensurate with those of a contemporary corporate board of directors and its chief executive officer. Through a system of specialized subcommittees, the board of each of these companies mobilized capital both in Europe and Asia; chartered, built, and operated large fleets of armed merchant ships; sent out to Asia regular annual shipments consisting of lesser amounts of European manufactures and other goods and far greater amounts of gold and silver bullion and coin; employed, paid, directed, and disciplined companies of agents (factors and writers) settled throughout the major entrepôts of Asia; purchased and shipped great quantities of finished textiles (largely Indian), spices, raw silk, saltpetre, and other goods to Europe and other destinations. Each subcommittee of such a corporation and the board as a whole made group decisions which were based on established policy and precedent and on scrutiny of information arriving by systematic correspondence from its far-flung chief agents at every trading station. Included in the organization was a finely tuned and effective accounting system which supplied essential data for the reporting process. Throughout the seventeenth and well into the eighteenth century, these joint-stock companies, steadily increasing their volume of transactions, sustained an unbroken margin of profit on Asian purchases disposed of by auction in London or Amsterdam. In terms of their reach, centralization, unified policies, and control of personnel, the English and Dutch East India Companies, though evolved from unrelated processes, were fitting corporate analogues to the centralized Mughal empire of the seventeenth century.[42]

The economic effects of this conjuncture upon state and society in seventeenth-century Mughal India were important and varied - although even yet not fully described or understood. The two largest East India companies, along with their smaller counterparts, helped to create and transmit by mid-century a new European demand for the chief Indian industrial product - cotton textiles. This market created among European consumers constituted a new stimulus to the output of Indian weavers, bleachers, spinners, dyers, and cloth printers. By the end of the seventeenth century, textiles comprised better than 50 percent of all commodities imported into Europe from India by both companies.[43] The trading companies also transmitted an enlarged European-determined demand for the cotton "guinee" cloth bought to clothe slaves in the West Indies. The managers of the trading companies also exported and sold large and growing quantities of Indian commodities previously not transported directly: raw silk thread, saltpetre, and indigo, as well as older standbys such as pepper and other spices. The trading companies were forced to pay for their profitable Indian imports primarily with New World metals. The total magnitude and growth of this exchange is truly impressive. In 1664, English East Company exports to both India and China, but primarily to India, totaled £118,362. In 1720, exports, largely of treasure, totaled £697,009. In 1664, Asian imports into London totaled £138,278; in 1720, these imports had risen to £580,510. Between 1664 and 1720, the volume index of European exports moved from 100 to 981. Within the same period, the import volume index of Indian commodities moved from 100 to 387.[44]

Since the best available evidence suggests that Indian producers did not lose

[42] I have not been able to locate any really satisfactory analysis of the institutional development of the joint-stock companies from the loose confederation of traders embodied in the Merchant Adventurers of London to the complex corporate structure of the late seventeenth-century East India Company. The most sophisticated analysis of the mature organization is to be found in a recent work by K. N. Chaudhuri, *The Trading World of Asia and the English East India Company, 1660-1760* (London, 1978), pp. 19-77. The bulk of this remarkable work is devoted to analysis of a full quantitative study of all recorded transactions over a one-hundred-year period. For a full description of the central administration of the Dutch East India Company, see K. Glamann, *Dutch-Asiatic Trade 1620-1740* (Copenhagen, 1958). Although they are not unimportant, I have chosen to ignore the lesser East India Companies (French, Danish, Ostender, etc.) in this discussion.

[43] Chaudhuri, *Trading World of Asia*, p. 96.

[44] *Ibid.*, pp. 91-92.

existing non-European outlets for their exports, it is reasonably certain that rising European demand absorbed whatever unused capacity existed in the regionally defined areas of export textile and commodity production: Panjab, Gujerat, Coromandel, and Bengal. It is also likely that this demand, expressed through imported bullion payments, resulted in additional employment and added investment within these sectors. Beyond this, however, we do have some evidence for dramatic expansion of two regional sections: northern Coromandel and Bengal. In the former, focused upon the port of Machilipatnam (Masulipatnam), Dutch and English initiatives in the 1680s created an export of cotton cloth produced in rural industrial villages which soon reached a total estimated at nine million yards a year. Prior to this, southern Coromandel, rather than the northern districts, had been the main zone of textile production for maritime export.[45] But Bengal is by far the most important example of expansion. Mughal conquest of the Afghan Sultanate of Bengal in 1576 and the final consolidation around 1612 of imperial control over the difficult terrain of western Bengal coincided with an important shift in the course of the rivers of the delta and the distribution of alluvial soil. These political and ecological changes permitted the settlement of eastern Bengal and the conversion of its indigenous peasants to the cultivation of paddy rice and cash crops.[46] Simultaneously, steadily enhanced European demand for Bengal's textiles and saltpetre, as well as for increasing amounts of raw silk (produced from mulberry and silk worm cultivation), foodstuffs, sugar, indigo, and other commodities, further encouraged export production in Bengal. In this case, the empire and the trading companies acted in concert to promote the ultilization of the newly accessible resources of eastern Bengal - a process which continued with only relatively minor interruptions until the late nineteenth century.

The intensity of European commercial pressure was reflected in the commensurate growth in trading establishments manned by factors and writers of the various East India companies.[47] As discussed in part I above, each of these trading stations created a social and spatial perimeter of middlemen who, prospering in an increasingly visible fashion, serviced the needs of the trading companies. Trader/brokers, after negotiating seasonal terms with the European councils, placed money advances with head weavers and other producers

[45] Joseph J. Brennig, "The Textile Trade of Seventeenth Century Northern Coromandel: A Study of a Pre-Modern Asian Export Industry" (Ph.D. diss., University of Wisconsin, 1975) (Ann Arbor, Mich.: University Microfilms), pp. 44-45.

[46] The impact of the trading companies upon Bengal's economy is discussed in two recent studies: Om Prakash, "Bullion for Goods: International Trade and the Economy of Early Eighteenth Century Bengal," *The Indian Economic and Social History Review* XII (1976); and S. Chaudhuri, *Trade and Commercial Organization in Bengal 1650-1720* (Calcutta, 1975).

[47] See Joseph E. Schwartzberg, ed., *Historical Atlas of South Asia* (Chicago, 1978), p. 50, plate VI B2, for a graphic portrayal of the density of European trading stations clustered along India's coasts in the seventeenth and eighteenth centuries.

in return for contractual commitments to supply goods at a stipulated quantity and range of quality. Bridging capital needed by trading company stations in the frequent intervals before shipments of treasure came from London or Amsterdam was supplied at prevailing rates by local financiers in return for bills. At the major ports, moneychangers, or *sarrafs,* received the imported bullion and foreign coin and expedited its conversion into imperial currency at the mints. Moneychangers also supplied *hundis,* the indigenous bills of exchange for transfers of funds from station to station. A variety of agents and go-betweens helped negotiate the series of official customs concessions obtained by companies and acted as troubleshooters when local officials proved difficult and/or greedy.

Impressive as these gains were, however, they help to disguise the fact that in relative, if not in absolute, terms the mercantile groups of Mughal India suffered by the European presence. With the exception of the wealthy, experienced, and tightly organized mercantile houses of Gujerat, most indigenous traders in each exporting region assumed a position subordinate to the servants of the East India companies. If not outright dependent as brokers or middlemen for the trading companies, the Indian merchants increasingly came to send their long-distance trading goods on European ships or to fall back upon the coasting trade. As the sevententh century progressed, the European companies drove an increasing volume of new trade which was inaccessible to Asian merchants. In place of the older structure of free trade flowing through overlapping markets centered on a series of port-entrepôts from India to the Mediterranean, the East India companies substituted a centrally administered channel for the exchange of goods and treasure. That is, at the European end, the companies mobilized treasure and goods, shipped these resources under continuous company ownership and control to their Indian stations, and used them to secure advance commitments from producers of cloth or from dealers in other commodities. In reverse order, the trading companies sent back to Europe, or to other destinations, that steadily mounting volume of Indian export goods under uninterrupted centralized direction, ownership, and transport to be sold at auction in London or Amsterdam. The most buoyant and lucrative portion of India's export trade was closed to the independent Indian merchants. The prosperity of those indigenous mercantile and banking houses which acted as wholesalers, brokers, and financiers to the Europeans was the product of weakness rather than of strength.[48]

The immediate beneficiary of European-administered export trade was the

[48] This generalization applies to the tiny community of Indian Zoroastrian Parsees who, in the nineteenth and twentieth centuries, claimed some of the wealthiest men in India. Before the latter seventeenth century, the Parsees were "farmers, small-scale traders and artisans in rural regions and small seaport towns of Gujerat." Eckehard Kulke, *The Parsees in India* (Munich, 1974), p. 238. It is only after they took on "the role of agents, mediators, and intermediaries" (p. 239) for the British traders at Surat, and later at Bombay, that they became transformed into a community of wealthy traders.

Mughal empire and its political elite. In each decade after 1620, the state's tax revenues swelled from port customs and road fee duties; from enhanced collections on lands devoted to cotton, mulberry, sugar, and indigo grown for the export sector; and from minting fees levied on the vast sums of imported silver and gold carried to the imperial mints by Europeans or their agents. Even more than in the previous century, the vast currency of the empire depended on rising European silver and gold imports. Unofficial profits in the form of bribes, presents, and other concessions rendered to imperial officers in order to keep the trade flowing probably amounted to an increment equal to, if not greater then, the formal payments made by the trading companies. In order to sustain their operations and to ensure the smooth flow of exports, the British and Dutch and their Indian agents had to engage in near-continuous negotiation and conciliation with both local and central officers to prevent delays, seizures, and other obstructions in clearing goods for customs or in minting treasure.

More significant, however, was the enterprise shown by the grandees of the empire, the *amirs* or nobles, in trading on their own accounts. Encouraged by concessionary rates, Mughal governors and military commanders who were stationed in Bengal, Gujerat, or Coromandel routinely invested in commodities which they exported in ships of the East India companies. Many Mughal officers, especially those in Bengal or Orissa, owned and operated their own large merchant vessels of a size comparable to the East Indiamen.[49] These privately operated ships sailed to ports in the Bay of Bengal or to the west coast of India, to Persia, and to the Hijaz - that is, within the cultural and economic world of the Mughal elite. The great wealth of these nobles and the commercial acumen which they could employ, as well as their power to evade customs duties or to force low prices upon producers, rendered their trading ventures highly profitable. Thus, to be a governor or military district officer (*faujdar*) in Bengal in the late seventeenth or early eighteenth century virtually ensured the accumulation of a vast fortune. Especially in Bengal and Orissa, where trade was opening up in an unprescedented manner, the private Indian traders faced formidable competition on the one side from the Europeans, and on the other from the more and more commercially minded nobles of the empire.[50]

* * *

I have tried to establish schematically the conjuncture of forces - some familiar, some less so - which brought about a critical nexus between three of the

[49] S. Chaudhuri notes that a Dutch listing of outbound trading vessels from Bengal ports in the period 1682-84 reveals that two private Indian merchants despatched eleven vessels while six Mughal nobles loaded and sent nineteen ships in the same period. *Trade and Commercial Organization*, pp. 86-94.

[50] See S. Arasaratnam, "The Politics of Commerce in the Coastal Kingdoms of Tamil Nad, 1650-1700," *South Asia* I (1971):1-19, for a similar analysis of the fate of private indigenous merchants confronted with Dutch power in the far south of the subcontinent.

largest, most complex, centralized organizations in the premodern world. The degree to which this nexus contributed to the profits and growth of all three of these organizations has not been generally recognized in the historical literature, which has tended to emphasize the conflicts and tensions between trading corporations and empire. The deluge of New World silver carried to India by Iberian expanionism was of direct benefit to Akbar's construction of the empire in the latter half of the sixteenth century. The post-1600 development of a new and powerful, centrally directed market demand for large volume Indian industrial and agricultural exports, and the use of New World and Japanese precious metals to obtain these goods, further strengthened the currency, the reserves, and ultimately the authority of the emperors succeeding Akbar.

What then of imperial decline? Here I can only suggest that we must look first to the vital authoritative relationships which framed the empire: the relationship of the emperor to a cohesive nobility or political elite, the relationship of a rural aristocracy to the emperor and his representatives, and the relationship of the peasantry to the local aristocracy. The dual forces of intrusive administrative consolidation on the one hand, and intrusive commercialization and monetrization on the other, must have caused qualitative changes in these relationships, Enhanced efficiency and capacity in both state and market do not necessarily strengthen authority or guarantee stability.