

CHAPTER 2

ECONOMY AND SOCIETY IN THE EIGHTEENTH CENTURY

By the first half of eighteenth century, the centrifugal forces had dissolved the over-arching centralised Mughal empire into regional states. To most historians, dismemberment of the empire had become synonymous with the declining fabric of the society. Some have put the blame upon Mughal polity for their failure to release those social forces which had become associated with progress in the late seventeenth and early eighteenth century European societies. Yet others have probed deeper into the social fabric of the country and have come to the conclusion that prior to the rescue of India by the British, she was a *static* society immersed in and contented with the most archaic form of economic and social organization—a version propounded by English politicians and historians in the nineteenth and twentieth centuries. The edifice of backwardness was raised upon the following arguments—isolation of the villages; unity of peasant and artisan production and the latter's dependence upon the peasant; low level of development of division of labour; relatively stagnant technology in agriculture and industry; caste monopoly of employment and social immobility owing to caste rigidity; drainage of surplus from villages thwarting accumulation of capital; and a non-secular education monopolised by the higher castes.

2.1 The Eighteenth Century in Indian History : Historical Debate

There is a debate relating to the distinctive aspects of eighteenth century. Three views have emerged from this debate. Some believe that, this period of Indian history was a period of prosperity and growth. Opposed to this is the view that Indian society and economy virtually deteriorated during this period. There is a third view which says that, continuity prevailed and eighteenth century was not a break from the past. All these views demand close scrutiny.)

Although the Mughal empire declined, but some areas witnessed political stability and economic growth. Regional economy grew upon changes in nature of trade, growing investment of merchant capital in peripheral areas and policy of war, plunder and political initiative shown by local aristocrats. Ashin Dasgupta has argued that cities like Surat, Masulipatnam and Dacca showed decline, but economic decline was not the general feature. Joint business enterprises had transgressed their political boundaries and were accounting for flow of commodities in different areas. Growth of credit market and use of high fertility seeds led to the growth of internal trade. According to B.R.Grover, notwithstanding the fall of Mughal empire and foreign invasions, surplus production in localities found new markets. In his article "The Great Firm Theory of the Decline of the Mughal Empire", K.Leonard has argued that merchant capital played a key role in the development of local economies. Growth of credit market and initiative from the local banks helped in creating a new class of employees—many were with trading concerns, some were accountants and some revenue collectors. In totality, one is prone to say that there was no decline in agriculture or crafts. Only wealthy traders associated with ship building industries suffered a loss as they had to compete with English traders.

Bhaswati Bhattacharya in her article 'The Hinterland and the Coast : The Pattern of Interaction in Coromandel in the late Eighteenth Century' has argued that, in spite of political instability there was impediment in trade, production and development of market. The centre of economic activity had shifted from Masulipatnam to Hindupur and Walajapet. To Burton Stein, the policy of military fiscalism and collection of taxes at the local level played an important role in the expansion of trade. As a matter of fact, in Ayodhya, Bengal, Hyderabad, Punjab, Maharashtra, Rohilkhand, Mysore and Farrukhabad, economic prosperity was visible, which dispenses with the theory of "Dark Age" during the eighteenth century.

According to C.A.Bayly, growth of mercantile organizations comprising of many castes, participation in political affairs and growth of military fiscalism had aided economic growth. To counter political adversaries, the need of the hour was expansion of military armaments and this necessitated vigilance in collection of taxes in Ayodhya, Hyderabad, Punjab, Rohilkhand, Maharashtra and elsewhere. A.Wink

and Sanjay Subramaniam have supported Bayly. In the pre-colonial period there was penetration of capital in agricultural production, because till then indigenous capital was not affected. Much of the indigenous capital was invested in internal trade and production of luxury goods. There is serious gap in Bayly's argument. He has cited no quantitative evidence relating to the extent that internal trade and production of luxury goods had increased compared to those of the seventeenth century.

Muzaffar Alam has quantitatively argued that economic prosperity was evident in Punjab and Awadh. But in some respects his argument is not sufficient. He has used *Ain-i-Akbari* as an index, arguing that the 'Jamadami', actual revenue accrual, of that period had doubled during the eighteenth century. From this evidence, he has argued that revenue collection had increased owing to increase in agricultural production. Simultaneously he has argued that rise in agricultural prices had stimulated increase in revenue.

Now we can lay bare the argument of historians who have argued that there was an economic decline during the eighteenth century. According to Sushil Chaudhuri and Om Prakash, the first half of the eighteenth century witnessed economic growth in Bengal. Situation changed with the establishment of power of the East India Company in Bengal. With the establishment of control over trade by the East India Company and consequent decline of Asian traders, decline was evident and the case of Bengal bears testimony to this fact.

As argued by B. B. Chaudhuri, important changes did occur in Bengal after the introduction of the permanent settlement. Quantitatively the proportion of rural credit increased and the failure of zamindars to pay their annual tax had led to forfeiture of their zamindaris. This had led to creation of a land market and reorganization in the relationship of agricultural labourers and *bargadars*, and also helped in creation of a poor peasant community.

The whole problematic has been argued differently by Irfan Habib. With the establishment of Company rule in India, import of bullion fell significantly which affected the economy. Besides setting in of deflation was the drain of wealth from the country. Such a trend was definitely a departure from the past. He has also argued that, appropriation of tribute by the Company officials, particularly in Bengal and Bihar,

enhanced collection of revenue and put enormous pressure on the peasantry. At this stage it would not be unwarranted to say that, taking the amount of tribute to be about £ 4.70 million on the basis of sale prices, "we find that it amounted to over 2 per cent of the British national income, estimated at £ 232 million for 1801. We must remember that the total rate of capital formation in Britain was probably no more than 7 per cent of the national income about this time; and this means that, at this crucial stage of the Industrial Revolution, India was furnishing an amount that was almost 30 per cent of the total national saving transformed into capital" (Habib, *Colonialization of the Indian Economy 1757-1900*). It may be noted here that, collection of revenue from Bengal and Bihar in 1765-66 was £ 2.26 million, which had increased to £ 3.33 million in 1770-71 in spite of the famine. The total collection of revenue in 1778-79 was £ 3.38 million, of which £ 2.66 came from land revenue. In his article on "Potentialities of Capitalistic Development in the Economy of Mughal India", Habib has argued that in pre-colonial India there is no evidence of accumulation of capital and capitalist mode of production. However, there was development of merchant capital owing to collection of revenue in cash. But its benefits remained confined to the city and did not percolate in the villages. Development of colonial economy definitely hindered the development of indigenous capital.

The theory of break with the past has been questioned by some historians. To them, continuity prevailed as the British rulers relied heavily upon local elites in collecting revenue and running of local administration. These local elites forcibly collected taxes from the peasantry, augmented trade and commercialization of agriculture. According to Burton Stein, in the Ceded districts of Mysore kingdom, the administrative structure enforced by Thomas Munro—military fiscal policy, confiscation of power of poligars and appointment of intermediaries to maintain relations with the state and peasant economy—were identical with that of the Mysore Raj. In enforcing ryotwari settlement in southern India, as argued by Nilmoni Mukherjee and Frykenberg, the English rulers maintained the traditional agrarian relationship. The initial disorder was superseded soon by restoring the power of mirasidars and other intermediaries and by providing some concessions to the Brahmins. According to David Ludden, the

administrative structure of the Mughal period prevailed and continued till the middle of nineteenth century and this period may be coined as 'early modern' period.

In his discussion on Maratha state, A. Wink has argued that growth of monetization and credit and the control over local resources by the colonial state did create a new chapter in Indian history. In the case of Punjab, the *khalsa* defied Mughal authority but continued the same agrarian policy as maintained by the Mughals.

The above discussion proves that the eighteenth century did witness growth in all respects, but situation changed after Plassey and the grant of Diwani. Decline in bullion imports, Company's appropriation of Indian revenue and its investment in trade and drain of wealth enforced underdevelopment of Indian economy.