



**University of Mumbai**

**DEPARTMENT OF ECONOMICS**

DOES THE MARKET MATTER? ECONOMIC HISTORY OF AN INDIAN  
REGION IN A NON-EUROCENTRIC VIEW

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**WORKING PAPER UDE15/3/2004**

**FEBRUARY 2004**

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**Documentation Sheet**

*Title:*

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*External Participation:*  
W I I I

*WP. No.:* UDE15/3/2004  
*Date of Issue:* February 2004

*Contents:* 37 P, — T, — F, 70 R.  
*No. of Copies:* 100

**Abstract**

This paper attempts to examine historical economic change in the Deccan with the aim of evolving an understanding of the economic change process that does not necessarily privilege the historical experience of today's developed countries. It establishes that the 18<sup>th</sup> Century Deccan was a highly commercialised, market driven society, quite unlike the descriptions of "traditional" Indian societies in the literature. In many ways, this society was similar to those of north-Western Europe during the same period. At the same time, there were critical differences. One important difference was that of the state formation process. By the 18<sup>th</sup> century, European nations had succeeded in developing strong centralised state apparatuses. On the other hand, the state formation processes were much more open ended in the Deccan, which had interesting implications for differences in the structure of economic change in the two societies.

**Key Words:** State formation, markets, political entrepreneurship

**JEL Code(s):** N00, N45

# Does the Market Matter ? Economic History of an Indian Region in a non-Eurocentric view

Neeraj Hatekar

## Introduction

Historians examining the economic transformation of non-European societies consider their contact with European capitalism as the defining moment in their economic development. In these writings, "capitalistic" economic behaviour, such as price movements according to supply and demand, markets for factors of production, migration in search of economic opportunity etc, often seem to reach non-European societies through contact with European state-building and capitalism. Economic historians have tended to draw our understanding of the historicity of the economic development process from the experience of the eventual winners. Consequently, historians tend to consider the past institutional structure of these countries as causally necessary in some way for economic development to take place. By implication, they argue that the historical experience of today's under-developed countries must have lacked market relations on a big enough scale. Some supposedly "non-market" institutions are supposed to have characterised these countries. For instance, an important theme in research on 17<sup>th</sup> and 18<sup>th</sup> century Europe has been the discovery of the dynamics of economic growth in pre-industrial revolution Europe. Europe's development of markets, rural industries and commercial agriculture all are argued to have led to the industrial revolution in the 19<sup>th</sup> century. Economic historians and social theorists of India have argued that because the industrial revolution did not take place in India in the 18<sup>th</sup> century, India must have lacked these key features. Indian society then must have functioned, up to the point at which European capitalism impacted it, on principles that must have been radically different from those governing European societies. For instance, Louis Dumont raises the question of the applicability to traditional India of the very category of economics. For Dumont, economics as a separate category emerges only after British rule was well

established, towards the end of the 19<sup>th</sup> century. Dumont writes "No doubt there is in India today a distinct sphere which may properly be called economics, but it was the British government which made it possible".<sup>1</sup>

Max Weber could be considered a paradigmatic case of the analysis of the uniqueness of the west. Weber sees Europe as characterised by special forms of authority, rationality and economic ethic that allowed for the development of capitalism. Asian society, on the other hand, was held back by caste, kinship ties and a religious ethic unsuitable for the development of capitalism. This school of thought continues the humanistic tradition, which sees the uniqueness of Europe in its Greek and Roman heritage. This combined with the post-renaissance search for rationality, the scientific revolution, The Age of Reason and Enlightenment lead to capitalism, modernisation and economic development in a straight line of reasoning".

After the Second World War, American sociologists continued the tradition of considering Europe's specific experience as the norm. Talcott Parsons looked back from the mid 20<sup>th</sup> century in order to understand how European and American societies had come to be what they were". He created a structural-functional model of social change in which differentiation of politics, economics and religion becomes the norm for modernity. To generalize his theory beyond the historical path derived from western experience, Parsons shifted to an evolutionary model of social change that portrayed the traits of successful societies as functions necessary to become modern. But as these were derived from a specific reading of the European past, they remain rooted to it.

How does one conceptualise the patterns of world economic development over the last two centuries without subscribing to generally Europe and particularly England centered theories? Marx's work on the Asiatic mode of production has been very influential among Indian economic historians. The basic building blocks of the Asiatic mode of production are as follows. Firstly, the pre-colonial peasant was a part of a natural economy within the self-sufficient village. The combination of handicraft production and agriculture meant that the peasant did not go to the market for his needs. Secondly, Market related activity and towns were generated by the surplus land revenue collected by the state, which was put on the market. Hence, towns and markets pre-supposed such a surplus extracting state. This state was a despot in that it did not have to negotiate its

share of land revenue, but obtained it from its prerogative as a landowner and controller of irrigation. Today's economic historians consider this division of the natural economy within the village and commodity circulation outside it as of crucial significance. Further, these features are regarded as specific to Indian economy and society.<sup>1V</sup> This school views India rather than Europe as being unique. Though categories like "feudal" have been applied to a study of pre-colonial Indian economy, many Marxist scholars feel that "feudalism" does not quite capture the complexity of the Indian situation. Yet, they would concur with the "Euro-centric" group in arguing that whatever markets and commercialisation existed in pre-colonial India was too weak to alter the basic forms of the mode of production dominated by. natural economy within the village and urban markets based on fiscal extractive mechanisms. By and large, this school would accept that relative to the economies of north-western Europe, India was a "non-market" economy. Further, if pre-colonial Indian was not "feudal", could it have had the potentialities of "capitalist transformation"? We argue that this question is a chimera in the sense that it is a result of adopting a specific theoretical frame, i.e. capitalism presupposes feudalism which is essentially Euro-centric. Also, if India were not "feudal" in the classical Marxist sense, what forms did the potentialities of transformation take? Unfortunately, this question has not been much analysed in the literature. We try to ' answer this question.

In this paper, we analyse the political economy of the Deccan between A.D. 1689 and A.D. 1819. On the basis of Archival evidence, we will try to demonstrate that economic behaviour of ordinary men and women in the pre-colonial Deccan was as much market driven as that of similar agents in contemporary Europe.

It is important to consider the implied meaning of the term "market". We use the term to refer to any mechanism for allocating resources, which is being consciously used by the agents involved, over and above other alternative methods of resource allocation, as the best means of fulfilling their goals. The qualification that markets are used consciously over other. alternatives sets them apart from other modes of resource allocation like custom. In fact, we will argue that customary mechanism need not be the antithesis of markets, as has been sometimes supposed. In a world of fragmented information, customs might be used as facilitators of market exchange. The markets that

we will be concerned with will be markets in commodities, markets in military, and artisanal services and the markets for political privileges. The basic definition of the market as employed here still works for this wide array of markets, though the players involved change. It is tempting to regard the state as a player outside the private market economy. Yet, as long as the sale and purchase of political privileges involves buyers and sellers and conscious goal maximising agents, these markets are no different from the more "private" sort of markets. It is now well accepted that the state is not outside the arena of the market; the market versus the state dichotomy is no longer valid. The state and its various organs like the government, various political parties, bureaucrats, lobbies and other voter groups are seen as acting in larger markets for votes, favours, licenses etc.<sup>vi</sup> Clearly, then, it is as legitimate to talk of markets for political favours as of markets for wheat. What kind of markets will dominate will be determined by which activities the overall institutional framework of the society rewards.

The difference in the economic trajectories of the two societies (the Deccan and north-western Europe) is underpinned by different sets of state building institutions. State building in the Deccan was a much more accommodative and open process compared to that in many parts of Europe. Further, the ecology of the Deccan has its own peculiar characteristics. These basic differences structured incentives for economic agents in such a way that different sets of actions became economically rational in these two systems, even though the basic institutional structure was highly market driven. Consequently, it will not be correct to view the pre-colonial political economy of the Deccan as being "non-market" in some way. At most, one can argue that economic agents in 18<sup>th</sup> century Europe acted in a fashion different from those in the 18<sup>th</sup> century Deccan, because their incentives were structured differently, not because they responded to different sets of motives. In fact, even within Europe itself, different types of states and other social institutions led to radically different sequences of the path from proto-industrialization to factory industrialization<sup>TM</sup>, because they structured incentives in specific ways and not because they constituted different modes of production. If we acknowledge the possibility of such diversity while accepting market mentalities in 18<sup>th</sup> century Europe as a whole, why should the same standards not apply when we compare Europe as a whole on the one hand, and countries like India or China on the other?

## Section 1

### **1.1.The Indigenous State and the Structure of Economic Incentives**

We argue here that the eighteenth century, in spite of the apparent political turmoil, generated significant upward economic mobility, both for the groups that controlled extensive land revenue rights as well as common artisans and farmers who were not directly involved with politics. The pre-colonial Deccan state was a system of military and financial dominance, based on rather fine balances of power among the military and land revenue right- owning elite on the one hand, & between the fiscal-extractive mechanism of the state and the mass of the farmers and artisans on the other hand. The central political problem for the Bhosales and later the Peshwas seems to have been the manipulation of the welter of local level conflicts in these two levels. This conflict also opened up avenues for upward mobility for individuals at various economic and political levels. The entire process was permeated by and fed on extensive commercialization, monetization and urbanization in the Deccan. These processes in turn could generate capabilities for long-term economic growth. The politics of conflict management could disrupt local economic activity in the short run, but in the long run it seems to have contributed towards growth in incomes and investment for the landed elite as well as for common farmers and artisans. Indigenous society had evolved market based political strategies and institutions that enabled economic growth to take place within these two constraints.

A qualifying point needs to be made here. This paper does argue that markets were as central to Deccan society as they were to contemporary European society and that the difference in particular markets that were dominant needs to be seen in the context of different ecological and state building processes. The paper does not argue that all markets in the Deccan always functioned efficiently. Because of various problems related to information, ill defined property rights, difficult to implement legal procedures etc, many markets functioned quite badly. We also, accept that the Deccan economy was perhaps growing much more slowly that the economy of contemporary England and

hence was relatively underdeveloped. The argument of the paper is that, if the Deccan economy grew much more slowly than contemporary England, the reason is to be found in poorly functioning markets in the Deccan and more efficient markets in England rather than the existence of markets in England and of something else, the non-market, in the Deccan as resource allocating devices.

In this section, we take as the starting point Andre Wink's development of the concept of *fitna* as the central idea for an understanding of politics in the eighteenth century Deccan.<sup>vi</sup> Wink argues that territory cannot be seen as a primary constituent of the Indian state. Rather, it was people & territory, or the *janapada*, which was shot through with vested rights. The manipulation of this conflict was the point of impact of sovereignty. The invading power attempted to wedge itself into this conflict and for that it required local knowledge. For the holders of these rights, it was a question of estimating the relative probabilities of successes of the various contestants. Given a particular constellation of these rights, establishing sovereignty was contingent upon being able to guarantee them to the respective holders or to the new aspirants. Holders of land rights generally maintained a portfolio of sovereigns if the opportunity presented. For the sovereign, conquest meant having the *inamdars* & *watandars* on his side. Often, he was required to co-opt such elite into sovereignty. Thus, the institution of sovereignty and the process of state building were rather open-ended. Constructing a successful political order was crucially dependent on the ruler's ability to keep the conflict among elite under his control.

This process differed considerably from the process of state building in large parts of Europe. Countries like England, France, Spain, Portugal, the Netherlands embarked upon absolutist state making as monarchs centralised power at the expense of aristocratic, urban and clerical elite. In England, France, Sweden and Spain rulers generally succeeded in distinguishing themselves from nobles and created various strategies that allowed them to assert their own superiority. Further, the ecological endowments of most of these states allowed them to be part of a long-distance trading network. On the other hand, in the Deccan, the open nature of sovereignty often implied that the distinction between the ruling dynasty and the chief elite was not so well drawn. Centralized armed forces were crucial to territorial European states and these states were

compelled to evolve bureaucratic structures to raise revenue for such state it was necessary to evade or suppress the claims of other elite on resource as we shall see below, the 18<sup>th</sup> century Deccan states were dependent for revenue on successful negotiation rather than suppression of the claims of both the elite as well as ordinary people,

The elite in the Deccan usually held a portfolio of activities across various markets. *Watandars* were seldom, mere *Watandars*. They often earned out a number of other activities. They could be money-lenders,, builders employing a large number of people, grain traders etc. As has been demonstrated else where, there was a large non--state market sector in the eighteenth century Deccan in which most of these men participated.<sup>IX</sup> Yet. their position as *watandars* was the most crucial because it allowed them to wedge themselves into the conflict over land-rights in order to accumulate more assets. Because the ruler did not really entirely control the country-side that was his ideological dominion, the land revenue flow from the *watandar* to the ruler was a matter negotiation and the ability of the *watandar* to extract resources from the countryside. In this sense, the political magnets of eighteenth century Deccan were different from those in say, feudal pre-Tudor England.

The ability of the *watandar* to extract resources was again constrained by the output of agriculture, the amount of virgin land, the level of conflict: in the locality, and the ability of the farmers to migrate to other places. The eighteenth century Deccan was after all a labour scarce, land abundant economy. Also, most villages had a usually fixed land revenue assessment. Consequently, village headmen generally welcomed short-term tenants to settle. This encouraged oppressed farmers to migrate., often with their entire live stock and other movables. In turn, the ability to migrate and thereby avoid heavy demands on agricultural output generally gave only a temporary respite to most farmer and many if not all, were forced to return at some stage. Though village headmen encouraged short term lease they usually satisfied themselves as to the abilities of the tenant to farm the land after all a piece of land that had been ruined by careless cultivation might not be able to find a tenant next year. Good and reliable information about the migrants was costly to collect as a result only those who had some way of satisfying the headmen as to their credentials could obtain such new lease. most other .

were forced to resort to wandering manual labour till their own villages returned to normality. Both, the watandar as well as the farmers, were constrained in the use of their strategies to undermine each other. Hence, it again became a matter of negotiations and politics at the local level and not a simple exercise in power. A watandar who was good at political management could generally extract significant resources. Through the eighteenth century, localities developed extremely localised measures of land like the village beegha (or the rivaj beegha) and grain. While assessing the village for land revenue, the village beegha would adjust according to the power balances within the village. Given the high costs of information collection about the incomes of each farmer, the state generally engaged with the village as a body, leaving the village officers to redistribute the burdens. Ravinder Kumar's argument that land taxes were redistributed within the village ( because presumably villagers preferred a non-market cooperative ethic to market based individualism) so as to ensure equality of assessment is not borne out by empirical analysis of the village level data". Rather, larger farmers seem to have succeeded in pushing their assessment on to smaller farmers. The actual revenue that could be realised from the village then depended upon these extremely local balances of power within the village. Local officials could make use of this information, which was impossible to gather for the state to obtain side-payments for themselves. Additionally, there were the profits of management, obtained by expanding the area under cultivation.

Thus, we see that the entire system rested on very fine balances of power, opening the doors to people who were good at political entrepreneurship. As a result, anybody with financial resources or military and political skills at his disposal could wedge himself into this politics and exploit it to his benefit. The potential benefits were very high, with the ultimate possibility of sharing in the sovereignty. Though only a few could succeed to this high level, many who were moderately successful could yet experience a high degree of upward economic and social mobility.

This also explains why it may be futile to look for economic change in the Deccan replicating the processes of economic change that we observed in early modern North Western Europe. Stage theories of growth have accustomed us to think in terms of "pre-requisites" to economic growth. McCloskey's survey of the causes of the Industrial Revolution concludes that it is impossible to determine clear cut pre-requisites

Gerschenkron has long ago pointed out that there are no "pre-requisites", but new factors can always substitute for the missing ones.<sup>x</sup> There is an increasing realisation that pre-requisites" reflect more or less unique developmental experiences of particular countries (most usually England) and that the developmental processes of each country will continue to be unique. For instance, in the "stages" views of economic growth, agrarian change has been considered a pre-condition for industrialisation, which in turn is made synonymous with "modern economic growth". The fact that this represents the unique pattern of English industrialisation, and is far from the norm even within Europe is now being accepted by economic historians<sup>TM'</sup>. The institutional and ecological environments of specific regions seem to structure economic incentives and opportunity costs in specific ways, creating unique growth paths, which can at most be arranged in broad patterns for regions sharing broadly similar ecological and institutional environments. To expect the process of economic development to follow some "transition from feudalism to capitalism" or from "agrarian to industrial economies" can lead to privileging certain historical growth paths as the norm that all other histories must follow.

This is not to say that the political and economic aspirations of the European bourgeois did not lead to what De Vries calls the "hemorrhaging of capital". The bourgeoisie in countries like France and Spain diverted massive funds, which could otherwise have been allocated to economic growth, to purchasing state offices. The wider point is that within Europe, the self strengthening activities of the institutionally closed nation state, in conjunction with specific ecological endowments, created opportunities and institutional environments, both wittingly as well unwittingly, for private funds to be invested in activities that were to promote what eventually was called modern economic growth<sup>TM</sup>. De Vries's statement that "(T)he interplay between changing political structures and changing market pressures created the condition where divergent paths were being followed in the agrarian life of various European states — some for better, some for worse" is equally applicable outside Europe.

## **1.2: The Political Entrepreneur of the 18<sup>th</sup> Century**

The multi-faceted nature of indigenous capital and its integration with the open political process could also account for Prof. D.R. Gadgil's observation that the Deccan lacked an indigenous class of professional merchants. His argument is based on archival documents, which show that professional merchants and money lenders of the eighteenth century were people who had migrated into the Deccan. This is more a problem of reading archival documents in the appropriate context, rather than a substantive argument. Money lending and grain trade related activities were carried out by indigenous agents, but historically, these people also played the politics of landed rights as a method ( and probably the quickest, though riskier one ) of achieving upward socio-economic mobility. They bought themselves posts of Kulkarnis and Deshmukhs and it is in these capacities that we meet them in the archival documents that are mainly land revenue related. Archival documents get generated only in response to the interaction of economic agents with the government or the state and hence archival documents tend to exaggerate the importance of the agents relationship with the state or the government relative to the whole spectrum of relationships in which the agent could be engaging. If a person does not appear in the archival records as a lender does not mean that he was not lending to other agents. On the other hand, migrant merchants, lacking the essential roots in local politics, are to be seen as pure merchants and money lenders to the government. To illustrate this point, let us look at the career of Kashi Ranganath Warpe, a Kulkarni in the early eighteenth century. We first meet him in the early 1680's as the Deshkulkarni and lekhak of Jawli<sup>xvii</sup>. Then we meet him in an inampatra of Rajaram, dated 20-4-1689. He is referred to as an old servant of the King, extremely loyal to "the feet of the swami". He rendered valuable service while Rajaram was besieged at Panhala, and Rajaram granted him the village Sebowane in inam In September 1691, Kashi Ranganath bought for himself the Kulkarni watan of Akurde near Kolhapur for a sum of Rs.175<sup>xx</sup>. The three co-sharers of that Kulkarni watan had fallen into land revenue arrears and approached Kashi Ranganath who bought the watan. Thus, Kashi Ranganath was by then considered a wealthy man, who owned land and supplied men , had political contacts, and hence could be considered willing to\* buy a watan and manage the locality sufficiently well to ensure its profitability.

We next meet him in October 1692, where he recommended Rayaji Lingdeo Kulkarni to Ramchandra Nilkanth as a "useful man". Rayaji Lingdeo was given half a chawar of land in inam. Hence, it was important for the state not only to cultivate Kashi Ranganath, but also his network of people. We don't know what return favours Kashi Ranganath could have received from Rayaji Lingdeo Kulkarni. In 1693, Kashi Ranganath was given in inam one chawar of land around Malkapur for the same reason<sup>TM</sup>". Obviously, the state was finding the need to ensure his continuing loyalty. Then we lose contact with him for four years and meet him again in July 1706. We then meet him in 1706 taking over the Kulkarni watan of Borgoan from Bhagawant Malhar and Gopal Malhar Kulkarni<sup>xxli</sup>". The circumstances are interesting more so because they give us a glimpse into the economic world of private, non-government actors. During the Mughal invasion of Kolhapur in 1680's, the father of Bhagawant and Gopal borrowed Rs.100 from Kashi Ranganath. So, clearly, Kashi Ranganath did lend money to others, though not to the government. After this event, the Kulkarni family had to migrate in the political turmoil, returning to Borgoan when things settled down after five years. They lived in Borgaon for six months, but then were forced to migrate again to Kashi Rangnath's village. Here, they borrowed 2400 seers of grain from him before migrating once again to Kudal. The father, Malhar Bhognath died at Kudal. In the meanwhile, Kashi Ranganath was in service with Rajaram, migrating with him to Verul. He sent his men to Kudal, asking the Kulkarnis to repay his debt. The Kulkarnis repaid Rs.36. Including the interest (twice the principal on cash borrowings and thrice on the grain), the original debt was by then, worth Rs.614.00. The Kulkarnis pleaded inability to repay. Finally, with the intermediation of Antaji Tukdeo and Sivaji Tukdeo (persons whose careers are similar to Kashi Ranganath), they succeeded in persuading Kashi Ranganath to accept the Kulkarni watan in lieu of repayment. Here, we see Kashi Ranganath in his role as a money lender. The fact that he succeeded in lending such a large amount of grain to the Kulkarnis points to the possibility that grain trade was also one of his many interests. The Kulkarnis themselves could have perhaps wanted to sell this grain, but were forced to migrate and incurred losses that they could not recoup. Thus, they themselves were possibly traders along with being watandars. At this time, the disturbances in the Deccan had raised the price of grain significantly, both because the supply networks were disturbed and the

higher military demand. Probably, the Kulkarnis bought the grain in the expectation that prices would continue to rise. Kashi Ranganath seems to have been reluctant to take over the Kulkarni watan. As has been pointed out above, the relationship of the watandar with farmers in his inam was again based on political negotiations and hence required the watandar to have some control over local politics. Probably, Kashi Ranganath was not very sure about his ability to do so in a village like Borgoan. On the other hand, Kashi Ranganath's professed reluctance to acquire the Kulkarni watan could simply have been a bargaining ploy. Kashi Ranganath reappears in January 1708 as the Mudradhari of fort Vijayadurg, where he Shivaji II appoints him in place of Suryaji Ingle. He was asked to put down a disturbance. We next meet Mahadaji Kashi, Kashi Ranganath's son, in March 1708, when he was summoned to meet Shahu. Shahu was garnering support for his cause against Tarabai. Mahadaji Kashi was the Karkhanis of Vishalgad, and he was referred to Shahu as a loyal man by Krishnaji Parashuram<sup>xxv</sup>.

Thus, we find men who held a portfolio of activities. They were into grain trade, money lending, supplying men for war, and accumulating land rights. They also maintained a portfolio of sovereigns and shifted their allegiances according to the perceived rates of return on various activities. In this process, acquiring watans allowed them to prosper financially and politically. As the case of Kashi Ranganath shows, the process of state building had to co-opt these merchants, by giving them political positions. This is contrast to Prasanan Parthasarthy's argument that pre-colonial South Asian states did not give political voice to merchants who were engaged in production<sup>xxvi</sup>. Parthasarthy uses the example of merchants who were financing weavers in pre-colonial South Asia. These merchants had to compete with the pre-colonial state, which instituted its own monopolies. This led them to collaborate with the British, who gave them much greater assistance. In the case study by Parthasarthy, it was not merchants qua merchants, but merchants who were engaged in financing the production of a lucrative commodity involved in international commerce that led to the conflict studied by Parthasarthy. Clearly, it paid the pre-colonial state to appropriate to itself the returns from such trade, and the collaboration of the East India Company with merchants is also perfectly understandable because textiles were deeply embedded in international commerce. For commodities and merchants that were not so important in international commerce,

Parthasarthy's argument does not apply. For instance, the Maratha state did not directly involve itself in commodity production. Given the vast flows of revenue into the Deccan, the Maratha state depended on merchants to import commodities into the Deccan. Thus, it is not true to say, with Parthasarthy that the South Asian pre-colonial states generally obstructed merchants from investing in production. They did so whenever they found it profitable to do so, and not as a general structural characteristic.

Bayly and Subramaniam define a portfolio capitalist as an entrepreneur who farmed revenue, engaged in local agricultural trade, commanded military resources, and might even occasionally dabble in maritime trade<sup>xxv</sup>. Qualitatively, Kashi Ranganath looks very much like a portfolio capitalist. He was heavily involved with the government of the day, yet as his involvement with the Kulkarnais shows, he also could have invested substantial resources in grain trade and the money market outside the ambit of the government. Though he was involved in non-governmental markets, his ability to succeed in them was underpinned by political connections. Migrant merchants and money-lenders who moved into the Deccan in the later half of the eighteenth century did not have these connections. On the other hand, their advantage lay in their own niche in the long distance banking and hundi networks. Consequently, they tended to specialise in areas where their relative advantages lay. Hence, archival documents show them as pure money lenders, whereas people like Kashi Ranganath and his son would show up in documents generated by the state in the various facets of their relationship with the state machinery, rather than as miniature portfolio capitalists that they were. Prof. Gadgil's conclusion that Maharashtra lacked an indigenous group of merchant money lenders is clearly a faulty reading of the archival sources.

The entrepreneur in the 18<sup>th</sup> century Deccan was typically a man with resources at his disposal which he sought to invest in activities that would yield him the highest return. He normally dabbled in several activities at a time. Given the ecological constraints of the dryland ecotype and the erratic functioning of the market mechanism, his opportunities to invest in activities like agriculture were limited. But this was more than counterbalanced by the great opportunities in the commercialised political and military market. Hence, the entrepreneur in the 18<sup>th</sup> century was typically an entrepreneur in politics, though there did exist a substantial body of markets outside the ambit of the

state.<sup>xxvi</sup> In spite of the existence of such outside the —state markets, men with resources deliberately chose to invest resources mainly into political markets because they yielded the more substantial, though probably riskier , returns. It is perfectly possible that such a process hindered economic growth. Perhaps, rates of economic growth could have been much higher if these resources were to be invested in agricultural production and technological improvements. But the fact remains that the markets of the day made it financially rational to invest predominantly in political markets. Additionally, the outside-the state markets were themselves not very efficient given imperfect information, lack of contract enforceability, imperfectly defined property rights etc. Hence, the question of what could have been is rather imponderable.

The careers of Arjoji Jadhav and his younger brother Girjoji serves as one more illustration of this process. The Jadhavs of the late seventeenth and early eighteenth century served successive Maratha rulers from Shivaji to Shivaji II in their quest for the Deshmukhi of Karad, but also had independent arrangements with Aurangzeb, Kaum Baksh<sup>xxix</sup> and cultivated (to the extent of paying his ransom) the Mughal fauzdar of Karad while trying to achieve the same goal. The Jadhavs were also contractors, maintaining a labour force of several thousand men, which they used to build Maratha forts for Shivaji and palaces for Sambhaji I. As has been argued above, archival documents under-emphasise the importance of the market relations that is outside the direct ambit of the state. Just because we get a partial glimpse of the Jadhavs through their relationship with the state does not mean that they were not acting outside its ambit. In fact, their political success was also crucially dependent upon their being able to act outside the ambit of the state. They also had wide-spread contacts and used their negotiating abilities to bribe Rajaram's way out of the Mughal siege at Jinji<sup>xxx</sup> which proved to be a turning point in their career. They could not have done this if they did not have any market relations outside the ambit of the state. And who will deny that giving and taking of bribes is a market oriented activity ? Thus, they seem to magnified images of Kashi Ranganath.

In our efforts to trace the fortunes of the ancestors of Arjoji and Girjoji, we find Lakhuji Jadhav, a mansabdar of the Bahamam kingdom in the early 1500s. Lakhuji Jadhav bought the Deshmukhi of 27 villages of Aundh for a sum of 10,000 hons from

Jagde Rao Jagdale, who apparently held the Deshmukhi of one hundred and sixty-eight villages of Karad. The Jagdale family seems later on to have run into problems with agents whom they appointed to collect revenue from the rest of their watan. This again highlights the extremely political nature of the relationship of the watandar with the actors in his watan. Later on, in the 1630's, Mudhoji Nimbalkar raided the territories and the watandars, including Sambhaji and Abaji Jadhav, obtained revenue remissions from Nimbalkar, or might have even joined Nimbalkar. The Adilshah of Bijapur saw this as rebellion and confiscated the inam of the Jadhavs. In all their later petitions, the Jadhavs claim that they held the entire watan of the 168 villages of Karad and not just the 27 villages that they had bought from Jagdale. We have no way of knowing who actually held the entire Deshmukhi in this period. Later petitions from Jagdale claim that they held it from time immemorial. The Deshmukhi remained with the Adilshah, was bestowed on a succession of vazirs, and on Randullakhan till it was finally awarded to Shahaji Bhosale. In one of the many inampatras that the Jadhavs received from Shivaji I II, they were arguing that they lost the Deshmukhi of Karad during the Nimbalkar episode, but the 27 villages of Aundh were later resumed by Shivaji I. In any case, Shivaji I asked Arjoji Yadhav to repair or build buildings on Pratapgad. Arjoji , along with Hiroji Farjand, moved their respective karkhanas and ten thousand people each to Pratapgad. Arjoji then applied to Shivaji for the Deshmukhi of Karad. At this time, Shivaji seems to have resumed the 27 Aundh villages. Shivaji sent Arjoji and Hiroji Farjand on construction duty to Pawangad. When Shivaji came to inspect the works, Arjoji again brought up the topic of the two watans. Shivaji refused to hand over the two watans and drove out Arjoji's kinsmen. In protest, Arjoji withdrew from service. Hiroji Farjand then interceded on his behalf and requested Shivaji to pacify Arjoji. Shivaji agreed to let Arjoji have the watan of Aundh in lieu of payment for the construction which was 5000 hors. However, Shivaji put off a written order under the pretext of Rajaram's marriage. He expired soon thereafter, without issuing any orders. Sambhaji asked Arjoji to build buildings on Raigad and in Panchwad. After building them, Arjoji requested Sambhaji to "reinstate" their watan and paid in another 5000 hors and asked for at least the Deshmukhi of Aundh. Sambhaji agreed to do so, but put off issuing the order till he could meet Kavi Kalash. In the meanwhile, one Tulaji Kadu, who was

holding the Deshmukhi of Karad represented to Kavi Kalash that if the Jadhavs obtained the Deshmukhi of Aundh, they automatically would lose the Deshmukhi of Karad. Kalash used this as a pretext to withhold the order. The Jadhavs had to pay a further 1000 taka and 100 hors along with a fine Arab horse to get Kalash to agree to issue the papers. Sambhaji and Kalash then left for Gajapur from where Sambhaji went to Raigad and Kalash proceeded to Panhala. Kalash took along Padaji Jadhav, a kinsman of Girjoji, ostensibly to issue the watanpatra. At Panhala, Tulaji Kadu came back and claimed that the Jadhavs owned the state 16000 hors from the time when they held the office of the jamatdar. On hearing this, Padaji fled from Panhala. This postponed the issuing of the orders. The Jadhavs met Kalash again at Sangmeshwar and presented 2000 hors. Just as the orders were about to be issued, Sambhaji and Kalash were captured by the Mughals. Rajaram asked Girjoji to rescue Shahu and the Queens from the besieged Raigad. Girjoji did not succeed in this, but retrieved crown valuables from Raigad and reached Panhala. He later conveyed all the valuables to Jinji. Rajaram honoured Girjoji with robes of honour and 5000 chakras, which Girjoji promptly handed over to Rajaram, asking for the watanpatras. Rajaram made the watanpatras for Aundh, though not for the entire district of Karhad. On various other occasions at Jinji, Rajaram rewarded Girjoji, and Girjoji continued to pay the money into the treasury , always requesting the watanpatras for the Deshmukhi of Karad. Eventually, Rajaram made over to him the watanpatras for the subdivisions of Umbraj and Targaon. Mahadaji Jagdale, the descendant of Jagde Rao Jagdale then reached Jinji and represented that the Deshmukhi of Masur belonged to him. Girjoji again paid in 5000 hors to stall his claim. Yet, the watanpatras were not made, and when Jinji was besieged, Raja Kama, the illegitimate son of Rajaram had to be sent as hostage to the Mughals. Girjoji accompanied him, and using his contacts within the Mughal camp, succeeded in getting him back unharmed. Rajaram rewarded him with one hundred thousand rupees which he promptly paid in the treasury and asked for the watanpatra. Rajaram fled Jinji when the siege became heavy. Girjoji, again using his contacts, managed to bribe Birwadkar Vani among the besiegers and rescued Tarabai , the pregnant Rajasbai and the crown prince Shivaji II, bringing them to Verul. He then carried them back to the Panhala. Again, when Rajaram sought to reward Girjoji, Girjoji asked for the watanpatra in lieu of cash rewards. Rajaram did not actually grant the

watan, though seems to have agreed to do so at that time. Meanwhile, Sambhaji II was born to Rajasbai, who withheld the infant's naming ceremony till the watanpatras were made. Rajaram then made the watanpatras, but the royal seal was not put on them because Girjoji was not available. At this time, Girjoji's kinsmen were not being able to make appropriate arrangements with local officials in the Umbraj and Targaon villages. Girjoji then sent his men who had the land revenue arrangements worked out. Around this time, Rajaram died. Shivaji II ascended the throne, and Girjoji paid in another 5000 rupees to obtain the Deshmukhi. Again, due to some disturbances, the order could not be issued. The king fled to Pratapgarh, where Girjoji approached Tarabai and finally had the watanpatras bestowed on him.

At that time, Yasinkhan was the Mughal fauzdar of Karad. His brother, Niyamatkhan was captured by the Marathas. The Marathas asked for a ransom of Rs.15,000. Because " this would benefit our watan", Girjoji paid the ransom on behalf of Yasinkhan. Girjoji also honoured Yasinkhan , gifting him Rs.30,000, a horse, sword and shield, and robes of honour. Shahu then captured Karad, and confirmed Mahadaji Jagdale in the Deshmukhi of the subdivision of Masur. Meanwhile, Mahadaji Jagdale had also been busy at the court of Rajaram. He had been to Jinji twice, and Rajaram had actually issued a whole list of documents in Mahadaji's behalf, restoring to him the Deshmukhi of Masur, after paying 2000 hors. After Shahu established his control over Karad, a brother of Girjoji, Shankaraji Jadhav went to see Shahu and had the watan confirmed by him. In 1703, while professing to be loyal servants of the Maratha kings, the Jadhavs also went to Aurangzeb, and got made sanads and firmans which confirmed them in their Deshmukhi. For that they paid Rs. 32,000. Thus, in the end, the Jadhavs paid close to four lakh rupees to five sovereigns in order to establish their watan. After this, large chunks of this watan began to be sold by Girjoji's kinsmen without his consent to Dhanaji Jadhav and the Mughal Fauzdar Yasinkhan. Girjoji had them restored and also succeeded in getting his kinsmen to agree that they had no ownership rights over the watan. Yet, he had to divide his watan with one of them, Swarupji, in 1716. He had also to fight off Dhanaji Jadhav who was claiming the Deshmukhi in Tarabai's reign. Dhanaji even submitted what turned out to be fake documents supporting his claim to the Deshmukhi. Before that, there was conflict with him over the ownership of offerings made during the fair at Pali. This was a

customary perquisite of the Deshmukh and Dhanaji staked his claim to the offerings. Tarabai intervened on Girjoji's behalf. Tarabai had to intervene again and request Dhanaji not to interfere with Girjoji's rights. During the same year, Dhanaji's men and his son threatened armed conflict. Girjoji had to supply men to help his kinsmen who were looking after the Deshmukhi when he was engaged at the Court. Yet, the threatened fight did not take place. Girjoji's kinsmen themselves had joined the Mughals and were building their own bases. Hindu Rao Ghorpade, the new Sardeshmukh of the whole of Svarajya, had given away the Deshmukhi of Aundh to Sidoji Ghorpade. Girjoji had to prevail upon him to give it back by reminding Hindurao of their friendship during the flight of Rajaram to Jinji. He had to also resist Chandaji Patankar, who was raiding the provinces. In the whole process, Girjoji also accumulated other inams on the side. We meet Girjoji for the last time in 1750 when the Queen of Kolhapur asks him about customary presents to be made by the king on various occasions. By then, he was an established nobleman of the Kolhapur kingdom. But before that, he appears in Tarabai's testimony as having helped to depose her from power at Kolhapur. though there is no independent evidence.

Girjoji's long career highlights the importance of landed rights and the various manipulations that it involved. Lakuji Jadhav, his ancestor seems to have been a wealthy man, and was already a manasabdar with the Bahamani ruler. His direct descendants were suppliers of men for war and activities like construction of forts and palaces. There is also evidence that Girjoji could furnish two thousand men with foodgrains at fairly short notice. He had widespread contacts among the politically important players of the time among the Marathas as well as the Mughals. He maintained a portfolio of sovereigns and shifted allegiances from the Kolhapur Bhosales to Shahu to Aurangzeb as it suited his needs. He could manipulate conflict and grow with it. This was a very real problem for the rulers of the eighteenth century. The groups of people that they depended upon militarily and politically had their independent agendas, and their loyalties could be assured only if the ruler's interest did not directly contradict theirs. Economists characterise this as the principal-agent problem. This problem is common to societies as far separate in historical imagination as medieval France, 18<sup>th</sup> Century Deccan, and the 21<sup>st</sup> century modern economies. The Principal is somebody who hires another person

called the Agent to carry out some task. The Agent has his own agenda, which is hidden from the principal. The problem for the Principle is to form the contract between him and the agent in such a manner that it is in the agent's interest to carry out the activity for which he has been hired to the principal's satisfaction. The Principal-Agent problem was particularly difficult for the rulers of the early eighteenth century, because their entire existence was based on manipulating the conflicts between their agents. The Principal-Agent relationship with asymmetric information about the Agent's agenda characterises the state -dominant capitalists relationship better than the Marxist concept of the state as an extended arm of capital. Shivaji had sought to overcome this problem by entirely abolishing *watans*, but could not succeed for the same reason. The *Bhosales* sought to continuously re-invent themselves ideologically to overcome the principal-agent problem. Representing the ruler as an upholder of religion and protector of holy men, cows and temples was a vital ingredient in this ideological invention but rarely seems to have cut much ice with the agents.

Men like Girjoji invested large resources in developing appropriate contacts, given the style of their politics, as shown by the fact that Girjoji paid Rs. 15,000 to ransom Niyamatkhan and that he paid Rs.32000 to his brother, the *fauzdar* of Karad, along with a shield, horse and robes of honour. Thus, investment in "social capital" was a high priority. This apparently wasteful investment reduced the risky-ness of Girjoji's other main investment. Neither were these men necessarily constrained by some sort of lack of individualism. They seemed to have worked with their kinsmen, but only to the extent that the kin group could be drawn upon to ensure upward mobility for the individuals, though they might not always succeed. The moment the kinsmen began to eat into individual fortunes, they were quickly dispensed with if that was possible. Girjoji could shake off distant kinsmen like Piraji, but he had to divide his *watan* with Swarupji, his first cousin in order to avoid family feuds. Thus, successful capitalists did not have much trouble in separating their own assets from their kinsmen. Property in pre-colonial India was certainly not communal as Max thought. Thus, the ties of kinship and communal property need not have constituted limitations on capital accumulation by individualistic agents.

. At the same time, the competition for landed rights could be a major source of finance and military and political services for the ruler. By never refusing, but riot,... actually making it over to the Jadhavs, the state-succeeded in extracting money and service from the Jadhavs. At the same time, Rajaram was receiving money from Jagdale. Typically, the 18<sup>th</sup> century sovereigns inter-linked their borrowing programmes with granting of privileges. This allowed them to borrow at a much tower cost than the ordinary merchants and farmers, for the lenders, it gave them the hope of accumulating offices and upward economic and social mobility, which more than offset the interest losses. Yet, there were limits to this extractability on the part of the state, because there were other competing rulers whom capitalists could approach. Thus, the openness of the political process and competition among sovereigns did put strong limits to the autonomy of the state. But it created extremely personalised, fragmented and undependable capital markets for the state. The institutionally closed nature of British sovereignty , for instance, meant that money had to be raised by the state in impersonal public markets. This led to the British capital markets being efficient in the 18<sup>th</sup> century. Moreover, this weakness of the Deccan capital market was self-perpetuating. Because markets functioned poorly, the indigenous capitalist became a political entrepreneur. But this very act led the capital market to become more personalised and fragmented in contrast to the unified and impersonal capital markets like those in England.

### **1.3 Order Amid Chaos: The Politics of “Tradition”**

In Girjoji's entire career, in spite of protracted and intense fighting over watans, his lands never seem to have been laid waste by a rival claimant. Such a course of action would have been entirely self-defeating. Conquest seems to have implied the ability to ensure the support of crucial groups rather than military victory per se. Because landed elite were primarily concerned with the value of the land rights, large-scale destruction of rural property and assets was in nobody's interest. There certainly was some destruction as armies criss-crossed and engaged in skirmishes, but the destruction seems to have been short lived. Otherwise, Girjoji would not have made such desperate attempts and paid such huge amounts for the Deshmukhi. In fact, he settled Karad adequately well to be able to partition it among his heirs. Over more than a century, the land rights in Karad

remained sufficiently valuable to engender stiff competition from various quarters. There was nothing inherently self destructive about this process.

As a final pointer to the rather short term destruction of valuable resources in spite of the most acute conflict, let us turn to Khandesh at the end of the colonial period. The picture of the immediate post 1818 Khandesh that we get from British records is that of complete desolation and depopulation. The British administrators blamed the high number of deserted villages on the warfare in Khandesh in 1802-1803 and a famine that affected all area between Satpuda mountains and Hyderabad. The fact that Arab mercenary soldiers in the pay of the local elite went on sprees of looting and destruction added to the woes of Khandesh according to early British records. Modern historians have accepted this explanation in toto. Yet, a careful examination of the village level data in Khandesh that were generated in 1826 reveals two types of depopulation. One was the desertion of villages associated with warfare, which was on the way to being reversed in 1826. What seems like desolation was really long distance migration from old commercial areas like Nawapur which had become poorer over the eighteenth century because the trade on the Agra-Surat highway had declined. These people had migrated, over the later years of the eighteenth century into parganas like Nasirabad, which had thriving urban networks and provided economic opportunities. The warfare related depopulation of these new commercial areas had reversed itself almost completely by 1826

After a period of war, everyone sought to restore order. The business in Supera pargana had suffered through warfare and heavy octroi duties. Shahu, claiming that "this leads to losses to the state", got the octroi levies regulated in a very detailed order.<sup>xxx</sup> A new peth was established in Karyat Maval by Changoji Jadhav Shete in 1714. In order that it should prosper, taxes were waived for four years.<sup>xxx1</sup> Arjoji Kusurkar had fled from the village of Kusur because of local politics. Chandaji Rao Rane represented to Shivaji II that he should be allowed to return. Shivaji II guaranteed his safety and directed him to return to Kusur.<sup>xxxlv</sup> In 1710, the Mahajans, Deshmukhs and Deshpandes of pre-Pune made a petition to Pilaji Jadhav about the rights of the Balutedars. The petition says that though the land was devastated due to conflict for many days, every village was populated again. All balutedars had come back, but were making arbitrary demands.

Hence, Pilaji had asked the Mahajans, Deshmukhs and Deshpandes to discover what local practice had been. In this petition, local usage was listed out and Pilaji was requested to make appropriate rules. The area could be settled quite rapidly, once the disturbances were over. Conflict does not seem to have had a very long term impact.<sup>xxxv</sup>

This incidence illustrates another point: the churning of the pre-existing social order that such a political context generated. The conflict in the locality allowed some local groups to redefine their positions regarding their customary pre-requisites and social status vis-a-vis other groups in the locality. The sonars refused to eat in Brahmin as well as Kunbi houses. Vanis, Kasars and Panchals were claiming the right to take their marriage processions through the markets, a right they seemed to have been hitherto denied. This was to be a persistent feature of the eighteenth century. Because of the multiplicity of such disputes, several orders were issued by the state and other notables laying down "customary practice". The invention of "customary practice", in turn was always attuned to local balances of power and the ideological needs of the elite. In 1830, Pratapsingh Bhosale, the newly re-instated Chaptrapati of Satara issued an order to "all Marathas", asking them to revert to the "proper caste practices" of pre-Peshwa days, which, the order argues, were not being observed during the Peshwa rule. The undertaking to do so was signed by forty-two influential Marathas in the locality<sup>xxxvi</sup>.

Thus, "immemorial" custom seems to have been invented and reinvented several times during the period. This brings into question the view of a fixed traditional society, only disturbed by capitalistic relationships after the European contact. Susan Bayly has convincingly argued that the ideological and legitimising needs of the new elite of the eighteenth century led to the growth of a caste order centered around the ideal of the kshatriya king<sup>xxxvii</sup>. The new elite, whose social origins were generally ordinary, were rapidly turning in this period to the symbols and language of the caste system as a prop for their statecraft. Yet, they had to not only to tolerate, but to cultivate the interests of the groups whose communities were defined as "inferior". For instance, when arbitrating in the balutedars dispute in prant Pune, the government firmly reprimanded the sonars for not eating in Brahmin houses in a language anticipating that of Dumont, as "brahmins were superior to all". Even then, it consistently legislated in favour of Maharas of Nagewadi in their disputes with Brahmins over the Patilki walan. The Mahars of

Nagewadi played a crucial role in controlling the fortress of Pandavgad. The state could ill-afford to displease them. Power and its needs could work independently of ritual rankings and the dynamism associated with new powerful elite could lead to significant inventions and re-inventions as well as lateral spread of caste rankings. Caste does not seem to have been a single monolithic, pan-Indian system, but a construct (though certainly not a purely orientalist one), consisting of a grid of diverse changing and changeable practices. The fluidity of the 18<sup>th</sup> century politics underpinned the system.

#### **1.4. The Functioning of Markets**

Though the political economy of the Deccan was highly commercialised, not all markets in the indigenous economy functioned smoothly. A constraint on markets was the high cost of reliable information. Market failures were also rampant, and institutional substitutes often filled in for markets. This proved particularly problematic for capital markets as we have seen above. The borrowing activities of the institutionally closed mercantilist nation-state led to formal debt markets emerging.<sup>xxxvi</sup> On the other hand, given the open nature of sovereignty in the Deccan, the state's borrowing from capitalists was based on much more particularistic and informal considerations. The credit markets were much more segmented and would often fail. In the case of the European nation state, in the process of state-building, increasingly imposed uniform laws were administered by a bureaucracy. Capital markets were linked nationally as well as internationally. This becomes important if one considers the argument that the appropriate economic unit of modern economic growth is not England, but north-Western Europe as a whole, the whole area being economically integrated.

The more contested nature of sovereignty in the Deccan led to a welter of highly unstable localised legislation. This was one of the factors behind high transaction costs: - the costs of searching out opportunities, and working out and enforcing agreements to trade, were certainly very high in the 18<sup>th</sup> century Deccan. The hectic pace of political activity, and the resulting mobility of key people, meant further destabilisation of markets. Let us look at how this happened in the case of the Patilki watan of Kokamthan." Mansingh Rao Khetri was the kamavisdar of Kokamthan in 1760s. The Patilki of Kokamthan was held by four co-sharers. One of them wished to sell it,

probably because he could not pay the govt. revenue due to **him. Abaji Purandare** agreed to buy it for Rs.5000, assuming it to be free of other encumbrances. He asked his agent, Vishnuram Patawade to pay the money. Papers were made in Purandare's name, when it was discovered that the village owed Rs.2960.00 to a moneylender. Patawade, on behalf of Abaji, paid the money to the *Sawkar*. Then it was found to owe money to the government. Purandare, by this time increasingly uncertain, refused to purchase the *Patilki*. After this, we no longer hear of Purandare's part in the transaction. Patwade had advanced money to the villagers, and the papers were now in the name of Purandare, who could not be forced to pay. Patwade, not wanting the *Patilki*, took out a bill on the villagers for Rs.3500.00 ( Rs.2960 that he had paid the money lender plus Rs.560.00 as interest) and began to press for payment. The villagers approached Naro Appaji Tulshibagwale, who agreed to buy the *Patilki* for Rs.5000.00 and pay the villagers Rs.2960. But he was not told about the interest of Rs.540.00 owed on the debt. At this time, Vishnuram Patwade died and his son, Baburao went to north India along with the Peshwa's army, not to return for two or three years. Also, at around this time, differences arose between the Peshwa and Tulshibagwale, and Naro Appaji retired temporarily from the administration. Baburao then returned, and alongwith Mansingrao, went to Naro Appaji. Naro Appaji agreed to purchase the *Patilki* if the villagers paid whatever was owned to the government. At this time, Mansingrao went on a campaign with Sadashivrao Bhau to South India and from there accompanied him to the battle of Panipat. He carried the papers relevant to the transaction with him. He was lost at Panipat, and the papers went missing. Naro Appaji now refused to buy the *Patilki*. At this time, he seems to have arrived at a compromise with the Peshwa, who persuaded him to buy the *Patilki*. Baburao took an oath on his family goddess, promising never to use old documents of the transaction to jeopardise Tulshibagwale's property rights. Thus, we see the lack of complete information , even for an important man like Aba Purandare, Vishnuram Patwade's inability to force Aba to fulfill his commitment, the migrations of Baburao and Mansigrao , the equations of Tulshibagwale with the Peshwa, the destruction of papers, all acted to hinder the transactions from taking place, even when the relevant actors were willing to carry out the transaction.

Often, lack of information was so pervasive, that the system had to evolve some rules to carry out transactions. Lack of reliable information pervaded all forms of social life. Disturbances related to imposters of important people, disputes about the correct caste of individuals, ownership of assets, uncertainty about the news of births, deaths and marital status pervaded common life. Different rituals, devised for "discovering the truth", which substituted for accurate information and allowed transactions to be carried out, must be seen as substitutes for the market. The fall-back on what would be today considered "pre-modern modes of thought" was essential if markets were to function at all in the modern sense. The changes in the efficiency with which markets functioned could be an important locus for understanding Indian economic history, but our present pre-occupation with "non-market traditional societies" has precluded its use.

### **1.5 :The Commercialisation of Politics and the Plausibility of Economic Growth**

The other significant fallout of this sphere of conflict was the high degree of social and economic mobility it offered to common men and women. Competitive recruitment by various factions opened up lucrative political and military opportunities for common men. For instance, during September 1774, Haider AH and Mudhoji Bhosale were recruiting soldiers around paragana Karhepathar , prant Pune. The Peshwa government was concerned that a large number of villagers might join them. It ordered its officers to confiscate any money that such recruiting agents might have<sup>\*1</sup>. Such opportunities were very important: in the drought prone, monsoon fed dryland agriculture of the Deccan. The village of Boriwade was raided by Jagdeorao Nimbalkar and Manaji pawar. A villager, Abaji Chavan, was murdered in the skirmish. Shivaji II directed Hindurao Ghorpade to make over an excellent field to his Abaji's son, because Abaji was a loyal man. Chenji Chavan Patil of Boriwade was a "loyal servant" of Shivaji II. Shivaji II granted him five *beehgas* of land, and an *abdagiri*, expressing the hope that he would continue to be loyal to the government.<sup>x1</sup>"Malharji, Hanmaji and Santaji Mardane were loyal servants", who were given 3/4<sup>th</sup> *Chawar* land at village Bawade. Antoji Ganoji

Shinde and his sons were "old servants" of the King, and hence Antoji was given four beeghas of first rate land in inam "These examples, of common people creatively using the fluid politics of the early eighteenth century abound in the archival records. Women in such households could also use the connections and political networks of their families to pursue their own agendas . In the late eighteenth century Deccan, the presence of such women was visible to outside observers".

The increasing decentralisation of politics in central and north India, as the Mughal Emperor's political power weakened, allowed the Deccan elite to export their skills to Hindustan. The political developments within Hindustan themselves are now being seen by historians as a fall-out of the economic and social upward mobility that the gentry in Hindustan had achieved under Mughal hegemony, The outward expansion of Maratha politics had deep-seated implications for the economic structure of the Deccan. It stepped up the politicisation and militarisation of the Deccan country-side. It offered opportunities for small farmers, who needed them given the precariousness of agriculture in the Deccan. Since recruitment required the soldier to present himself with relatively inexpensive equipment, the army was becoming an increasingly lucrative option for ordinary people. As the armies now went further away from the Deccan heartland, the need for maintaining standing armies in faraway camps arose. The requirement for provisions also created large scale credit needs for the elite. At this point, money lenders like Bhikaji Naik Raste and Tulshibagwale seem to have wedged their way into political power. This period was a period of further social mobility for Brahmin money lenders like the latter day counter-parts of Kashi Ranganath. In any case, the rising power of the Peshwa was accompanied by a new set of men who were personally loyal to him. This was of utmost importance in the opportunistic politics of the eighteenth century. The ties of personal loyalty could be strengthened by caste and even more by intermarriages. We see a new wave of people joining the rank of the old elite like Girjoji during the heady days of expansion. The new men had greater exposure to Hindustan wide politics. Pune became a major urban centre with a mixed population. The seats of power of the new nobility also increased in size and thrived as they tried to recreate the ruling styles of the elite in Hindustan. The later eighteenth century saw a flurry of building activity as palaces and temples were built based on what the new nobility saw in its travels over

India. The level of expenditures by the elite also seems to have gone up. The lake at Katraj was built between 1755 to 1761. A sum in excess of Rs. Two hundred thousand was spent on the project. The money was raised through loans on the Government. In the later half of the eighteenth century, a total sum of one lakh thirty six thousand and six hundred and sixty seven rupees was spent on building of the Tulshibaug temple. The lake at Parvati was constructed at the cost of Rs. thirty-six thousand all of which was paid to Jayaji Shinde Beldar". The channel from Katraj cost more than seventy thousand rupees and the money was again paid to artisans between 1769 and 1771.

Apart from construction, the new elite's higher religious spending also generated huge expenditures. In 1772, Sardar Khasgiwale spent Rs.1 1536 on lakshabhajan. Often, religious expression was political at the root. The new Brahmin elite needed to create an ideological world view to support their new status as co-sharers of sovereignty. One finds large, publicly visible, ritual expenditure in this period. The regular annual expenditure of the Khasgiwale household seems to have been between Rs.24,000 to Rs. 36,000 per annum during this period, excluding extra-ordinary spending. Large public expenditures again generate second, third and subsequent rounds of expenditures, so that the overall multiplier effects, assuming all the subsequent rounds of expenditures were made within the Deccan, must have been substantial. High expenditures imply high aggregate demand and high levels of employment. In the 1770's carpenters earned between Rs.10-15 per month, stone masons earning about Rs.12<sup>1</sup>. Court writers received Rs.20 per month in 1772, whereas a gardener received Rs.6.00. The salaries received by Halalkhors was about Rs.5.00. The lowest class of menial servants earned atleast Rs.3.00 per month. These sums can be seen in the perspective of jowari prices which cost one anna per two-half seers at the time so that a rupee bought 40 seers of jowari." Thus, in real terms, an artisans household working on the new city projects were getting a salary equivalent to 400 to 600 seers of jowari per month, assuming only one member of the family worked I on these projects. A sweeper earned a salary equivalent of 200 seers of Jowari per month. The lowest menials received 4 seers of jowari per day at the minimum. Labour markets, hierarchically structured by market mechanisms had emerged by this period. Attracted by the opportunities, the Maratha dominions in the Deccan began to experience

increased in-migration into its cities and towns from the rest of India by virtually all classes of people.

The rural economy was being significantly transformed by these processes. Urbanisation was growing. As a pointer to the growth of cities and towns during this period, take the example of Malegaon. Malegaon was converted from a small village with a fort in 1740's to a relatively large town with a population of more than 5000 by the end of the eighteenth century as the flow of men and resources from central India as well as Gujarat began to pass through it on its way to Poona. The town of Sawda in Khandesh was held by Raste. Sawda grew with the Raste family, and also transformed Faizpur, a non-descript village close to Sawda in the early eighteenth century into a town of more than five thousand inhabitants by the early 19<sup>th</sup> century. We have a census of Khandesh undertaken by Captain Sykes, the statistical reported of the East India Company in 1826<sup>11</sup>". In 1826, immediately after the close of the pre-colonial period, 13% of Khandesh population lived in towns of population greater than 5000. In the same year, nearly one third of all the population in Pune district stayed in such towns. In France of 1801, the same figure was 11%. The Khandesh figure presented above is most certainly an underestimate of the total urban population in Khandesh. About a fourth of the entire population of Khandesh was to be found in towns of population more than 2000. Less than half the total population lived in small villages of population less than 500 in 1826. About 30% of all balutedars in Khandesh were to be found in towns of size more than 2000. Several small villages did not have even a single Balutedar with the possible exception of the village Mahar. They were dependent on towns. The idea of the "self-sufficient" Indian village driven by "immemorial custom" is very much an invention of the British as the colonial state tried to ideologically reinvent itself. In these towns, shop-keeping was the single most important occupation, followed by weaving. These towns generated a huge amount of market related activity for small farmers and the women in their households.

At this point, we have evidence of increased money use even for small transactions, pointing to increased commercialisation of small transactions. Many more varieties of currency began to circulate. In Dharwar, in early 1750's the local Deshpandes began to mint a highly debased copper coin. The output of this coinage was so high that

the Peshwa ordered them to stop minting. The debased nature of the currency also meant that by driving out good copper coins, it was making revenue collections difficult. However, the returns from coinage must have been very high, because the Deshpandes risked military conflict in open rebellion against the state rather than stop such a lucrative activity.

Unlike the centralised bureaucracies of the 18<sup>th</sup> century European states which could increasingly set aside rival elite claims, the Maratha state did not achieve any more control of its land revenue collections through out the 18<sup>th</sup> century. Markets grew without any increase in the state's ability to extract a surplus. This is difficult to reconcile with the standard Indian Marxist historiography. Though villages in the immediate vicinity of Poona were surveyed during the reign of the Peshwa Madhavarao 1, they could never be brought to pay the full revenue assessment called the kamal assessment. The state had to rely on cajoling villagers and bringing additional lands under cultivation in order to ensure higher revenues. In the newly conquered territories of Khandesh, for instance, the government seems to have been particularly sensitive to complaints of over assessment. Revenue officials were regularly reminded not to raise existing taxes but to depend upon increased cultivation for additional revenues. The operational aspects of land revenue assessment were frequently modified if villagers requested such modifications<sup>1</sup>. The state gave away ten beehgas in inam to anyone who might convert 100 beehgas of dry land into irrigated land by building dams or wells. Land revenue would be remitted if farmers pleaded "poverty"<sup>1</sup> and the state would advance loans for their working capital needs and carry out repairs of dams. Thus, the state, given its political weakness vis-a-vis the country-side, could transform itself into a "developmental" state.

What does all this imply for evidence on economic growth? Were these processes leading to economic growth as measured by sustained rise in per capita income or did the over-reliance on political markets actually hinder economic growth? After all, it is entirely possible that though such processes led to increased incomes for individuals, in the aggregate they were highly disruptive of growth because they moved resources away from other socially productive channels like investment in agriculture, infrastructure etc. Yet, these processes had put into place an increasing urbanisation, extensive money use, decentralised and structured labour markets, long-distance migration etc. These processes

by themselves are capable of significant economic transformation and growth of per capita incomes. For instance, as has been demonstrated elsewhere with the help of econometric evidence, the market opportunities generated by towns was leading to higher and more stable incomes for farmers who had access to these town markets. Market access led to greater investment in agriculture and the resulting increase in marketable output could lead to expansion commercial towns and villages. Further, these incomes were less variable than those of farmers who did not have such access. Sustained per capita income growth is entirely plausible in this context Thus, it is possible to envisage a sequence where growth of towns and commerce leads to sustained growth in per-capita incomes.

The extremely contested nature of political authority also meant that taxes on agriculture had to be lowered and developmental activities like irrigation had to be encouraged. This could have led to a broad-basing of economic growth. Of course, had sovereignty been more closed institutionally, had property rights been better defined, had there been mechanisms in place to enforce contractual obligations, growth could have been much faster. Moreover, though wealthy individuals sometimes invested in building dams, the ecological constraint on investing was not relaxed substantially. In spite of a market driven economy, all these factors did combine to constrain economic growth. The end result was that political markets became central. It can be argued that political markets crowded out the more conventional markets. But the view presented in this paper is in contrast to the usual Marxist interpretation that has been discussed in the beginning of the paper. It also runs counter to the still respected Ravinder Kumar view of traditional Maharashtrian society as having been non-individualistic , non acquisitive, and having traded off growth for stability. The more appropriate view would follow the lead of Douglas North". In a world of zero transaction costs, individual agents acting on their own initiative lead to efficient outcomes. However, where transaction costs are significant, institutions play a role in making possible market transactions. The market outcomes are then governed by the structure of incentives within the institutional contexts. The institutional context also shapes the mental models of the actors. Because institutional change involves changes at many margins, and because mental models are involved, it is a slow process, creating path dependence and hence a role for history.

Additionally, specific institutional structures spawn agents with vested interests and hence relative bargaining power becomes a crucial determinant of the direction in which institutional change will proceed. There is no guarantee then that such institutional mechanisms will always be efficient as far as promoting economic growth is concerned. Britain was lucky to have reasonably efficient institutions involving popular representation, well-defined property rights, contract enforcement etc. But that need not be true for all countries.

### **Conclusion**

If the picture presented here is broadly accurate, how did the Deccan economy ever get colonised? A bigger question is what accounts for its sustained economic backwardness? The key to its British conquest lies in the fitna style of politics and the principal-agent problem faced by indigenous rulers. We have seen above that the stability of the ruling dynasty depended upon its ability to co-opt the "political entrepreneurs" and "portfolio capitalists" of its ideological dominions. For the Maratha state towards the early nineteenth century, this was becoming increasingly difficult. By that time, most of the new elite who grew with the Maratha expansion had entrenched themselves well into their own localities. Bajirao II's efforts to impose some sort of centralisation by demanding revenue arrears aroused rebellion.

In this situation, rulers were often tempted to hire mercenary foreign soldiers who did not have local roots to indulge in fitna style politics. But most of these hired mercenaries also seem to have sunk their roots in the welter of alliances and cross-alliance of the eighteenth century politics, allowing them to amass immense resources. Most of the complaints of the "ill-discipline" of the mercenary Gardis and Arabs need to be understood in this context. They often incorporated the interests of the dynamically growing indigenous portfolio capitalists and political entrepreneurs to ultimately create political hegemony. For the East India Company, evolving a subsidiary alliance whereby a native ruler paid for the Company's troops in his territories in return for protection was initially one of the ways of achieving financial savings. For the ruler, the presence of the British forces seemed to ensure him against the multiple alliances of his agents. Thus, the entry of the East India Company was a logical culmination of the fitna politics of the Deccan. But the temptation to enter into fitna generally proved too strong, leading

ultimately to British hegemony in the case of major Indian powers. This, to start with, merely appeared to the local elite as replacing of the existing sovereign by the East India Company, who appeared as their ally. Bajirao II was unpopular in Poona because of his avaricious ways. Apart from the merchants and traders in Poona, the other Jagirdars that were being pressed by Bajirao II saw the British intervention as a way to safeguard themselves. Initially Company rule maintained the old styles of governance. As this phenomenon was repeated in several places in the sub-continent, British hegemony evolved. By 1818. The East India Company was well entrenched in several parts of India through a similar co-opting of local portfolio capitalists and entrepreneurs in political power. This hegemony gave it tremendous advantage in establishing its supremacy vis-a-vis the old elite in the Deccan.

As the self image of the British rule as rulers of a conquered people evolved along with increased control, the old style of politics that had generated the local elite in the first place went away. The manipulations of the old elite were already being called "corrupt" in the circles of English administrators. This is evident in the description of Maratha character in the early British documents. Yet, the Company continued to rely on them, but gradually, as British control and new state practices evolved, the political context in which the old elite had evolved went away. When this happened, the political entrepreneurs and portfolio capitalists of the eighteenth century were converted into fossilised "princes" and "inmadars" and "watandars", pensioned away into insignificance, or simply annihilated over the course of the nineteenth century as British hegemony evolved.

In an authoritative survey of Indian economy from 1860 to 1970, B.R. Tomlinson argues that these phenomena were not an inevitable consequence of social formations under colonial capitalism or an implacable Malthusian crisis. According to him, they were the result of specific institutional inadequacies and market failures of the last twenty years of the British rule. This perhaps is the outcome of the time frame of Tomlinson's study which begins in 1860. Viewed in the longer run context of pre-colonial economic processes, colonialism, and perhaps colonial capitalism, through the policies of colonialism, appear to have created a structural break between pre-colonial and colonial economy. The Deccan was always a highly commercialised society, strongly dominated

by markets. During the pre-British area, these were markets in political influence, hereditary offices, military protection along with the conventional labour markets, money market, capital markets, land markets and the markets for commodities. After the British rule, the first three types of markets became irrelevant. One now has a more clear bifurcation of the economic and social mechanisms. We do observe "modernisation" in the sense of Talcott Parsons, but that was certainly not leading to capitalism. Social mechanisms in the Deccan became strong only because markets became weak in the 1920's and 30's and state agencies did not attempt to remedy this. Had the market networks been stronger and better linked to more sustained sources of demand during the colonial period, agriculture and the rural economy would have been stronger at dependence.

The colonial state, by creating what it saw as a more "rational" relationship with the countryside, destroyed the old style political institutions that had encouraged economic growth. By doing that, it wiped off a substantial volume of capital, and foreclosed avenues of the highest return. As we have seen, the old political markets enabled individuals to achieve socio-economic mobility and also could have spun off economic growth effects. The colonial state failed to replace old institutions with modern" development strategies on a scale significantly large to kick-start the process of modern economic growth. It did create institutions and legislation that reduced transaction costs. For instance, it ensured uniform weights and measures and a uniform currency, and a better framework for contract enforcement. But the markets that remained simply did not have the ability to create economic transformation in the old fashion, because the major constraints like the ecological constraint continued to hold. Millet growing societies, by themselves, do not become wealthy just because the weights and measures are accurate. Thus, efficient institutions cannot suddenly be imposed from above. They have to be synchronised with evolving market opportunities. Apart from creating efficient institutions, the Deccan also required the creation of market opportunities which could have given a sustained impetus to economic growth. The old style political markets had evolved as indigenous society sought ways out of the ecological constraints wherein individuals could achieve a degree of socio-economic mobility and the economy experienced growth, but the institutional setup was inefficient

in many ways. On the other hand, the British government created efficient institutions,' but did not create sufficiently significant markets to replace the old ones. The reasons for this can only partly be sought in a center-periphery framework or in the increasing "invasiveness of market relationships". Rather, whenever the agrarian economy of the Deccan was exposed to strong demand for its output even during the post-British period, rural stratification seems to have broken down. But during the British period, such growth impulses were rather short-lived. The reasons for economic backwardness, defined as wide-spread poverty, are largely to be found in the evolution of the self-image of the colonial state and its understanding of its role vis-a-vis the actors in the agrarian economy, especially the lack of urgent imperatives for economic development like those faced by Tzarist Russia or Meiji Japan". Early modern European states, 19<sup>th</sup> century Meiji state and the states of the economies of South East Asia in the 1970's and 1980's consciously or unconsciously undertook projects that enabled "modern" economic growth to take place. Not being embedded in competitive nation -state politics, unlike European states, the colonial state only made half-hearted, paternalistic interventions, leading to the crisis of underdevelopment. This was further strengthened by the central concern of the government with smooth flow of home charges. In the late 19<sup>th</sup> century, debt services and home charges amounted to around 16 percent of India's current revenue, in 1933, they reached a figure of 33 percent. In the 1930's, remittances from the sub-continent accounted for 15-16 percent of Britain's total net invisible earnings and made a vital contribution to the stability of the pound sterling. Thus, India, at a vital stage in world economic development, did not have what most other currently developed countries benefited from: a state forced to initiate modern economic development.

## End Notes

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- <sup>iii</sup> Talcott Parsons, Societies: Evolutionary and Comparative Perspectives, Prentice Hall, 1966.
- <sup>iv</sup> Habib I "Marx's Perception of India", in Essays in Indian History, Tulika. Delhi, 2001, pp. 14-58.,
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- <sup>v</sup> Deccan here is taken to mean the territories conquered from the Peshwa by the East India Company in A.D.1818.
- <sup>vi</sup> For a good survey see Grindle M.S.in "In Quest of the Political" in G.Meier and J.Stiglitz (eds) Frontiers of Development Economics: The Future in Perspective, World Bank and Oxford University Press, Washington, 2001.
- <sup>vii</sup> Ogilvy Sheilagh. " Social Institutions and Proto-industrialization" in European Proto-industrialization. eds. Sheilagh C. Ogilvy and Marcus Cerman, Cambridge University Press, Cambridge, 1996, pp.23-37.
- <sup>viii</sup> Wink, cited above.
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- <sup>xv</sup> De Vries, cited above, pp.236-254, P.K. O'Brien "Central Government and the Economy, 1688-1815", in The Economic History of Britain Since 1700, 2<sup>nd</sup> edition, (edt.) Roderick Floud and D.N. McCloskey, Cambridge University Press, Cambridge, 1994, pp. 205-241, Paul Munch "The Growth of the Modern State", in Sheilagh Ogilvy (eds) Germany: A new Social and Economic History Vol. II (1630-1800), Arnold Press, London, 1996 pp.196-2.32, James B. Collins, The State in Early Modern France, New Approaches to European History, Cambridge University Press, Cambridge, 1995, pp.184-204.
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- <sup>xvii</sup> Gadgil D.R, Purie Shaharatil Mahajan va Nagarsheth, Gokhale Institute of Economics and Politics, Popular Prakashan Mumbai, 1962, particularly page 15.
- <sup>xviii</sup> Bharatiya Itihas Sanshodhan Mandal Quarterly, Poona, Vol.30, nos.1-2, 1949, p.3, p.15.
- <sup>xix</sup> T.K.K. Volume 1, entry 31.
- <sup>xx</sup> T.K.K. Volume 1, entry 40.
- <sup>xxi</sup> T.K.K., volume!, entry 49.
- <sup>xxii</sup> T.K.K. Volume 1, entry 52.
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- <sup>xxv</sup> T.K.K. Volume 1, entry 194.
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<sup>xxvii</sup> Subramanyam S. and C.A. Bayly, "Portfolio Capitalists and the Political Economy of Early Modern India", *Indian Economic and Social History Review*, Special Issue on the Relationship Between the State, Merchants and Producers, No.25,4 1988, pp.401-424.

<sup>xxviii</sup> For evidence, see Hatekar N. "Farmers and Markets "

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<sup>xxx</sup> *TKK*, volume I, no.62, page 95.

<sup>xxxi</sup> For the detailed argument, see Hatekar N. "Farmers and Markets in the Pre-Colonial Deccan: The Plausibility of Economic Growth in Traditional Society," forthcoming, Past and Present.

<sup>xxxii</sup> *T.K.K.* Volume 1, entry 233.

<sup>xxxiii</sup> *T.K.K.*, volume 1, entry 293.

<sup>xxxiv</sup> *T.K.K.* Volume 1, entry 282.

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<sup>viii</sup> SSRPD, cited above, page 383. <sup>ix</sup> SSRPD, cited above, page 244.

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