Rethinking the Origins of British India: State Formation and Military-fiscal Undertakings in an Eighteenth Century World Region

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Abstract
The paper discusses the rise of the East India Company in the contested political world of eighteenth century India, with reference to the manner in which economic power was deployed to enhance military power. It is shown that there was only one successful model of ‘military-fiscal’ strategy in this time, the one that the Company adopted. It is further argued that fiscal capacity and institutional choices jointly contributed to the success. The Company's choices, however, cannot be understood as a transplantation of European ideas into India. Fiscal capacity and institutional choices were bounded by local conditions, the strategies of the rivals, available means, and the Company's outsider status.

1 This is the revised version of a paper presented in the Asian Historical Economics Conference, Tsinghua University, Beijing, 2010. I am grateful to the participants of the session for a lively and instructive discussion, and to Patrick O'Brien and a referee of the journal for comments and suggestions that led to significant improvements.
Introduction

Comparisons between early modern Europe and Asia in political terms are of abiding interest to global historians. Two types of motivation drive such comparisons. One of these is to explain Europe’s precocious economic growth. And another is to explain colonization and conquest of Asian regions by Europe. The former enquiry has sometimes followed up the contrast between Europe’s competitive state systems and Asia’s empires, and suggested, as Eric Jones does, that political competition led in Europe to sovereign dependence on capital and to ‘continual borrowing and .. “stimulus diffusion”’ whereas the ‘despotism’ of the east functioned as ‘a revenue pump’ in the best of times, deteriorating into a chaotic ‘fluctuations without development’ in the eighteenth century. The case for a contrast between dependent and despotic kings is undermined by the post-1980 scholarship on Indian empires, which projects a negotiated rather than hierarchical relationship between sovereigns and communities in this region. That criticism still leaves us with the question, how do we think about conquest and colonization in comparative terms?

Again eighteenth century India presents a problem for global history. In Europe, the outcome of political competition was states that grew in size and capacity, as the kings tried to take control of the economic means of financing wars, eventually redefining the role of the state in relation to the society. In this way, some of the major European states in the eighteenth century moved towards sovereign control of the fiscal and the military apparatus, away from dependence on mercenaries, creditors, and contractors. The phrase, [References]

military-fiscalism, coined by Martin Wolfe in the context of Renaissance France, is frequently used to suggest a co-evolution of fiscal capacity and military capacity.⁶ The attendant growth of ‘social power’ through a process of conflict brought about the nation state and the state structures that defined European modernization.⁷ In India too the dominant trend in this time was increasing contest between regimes that had succeeded the Mughal Empire. The break-up of the empire, and the struggle for revenue among contenders, unleashed much potential for violence. Rulers, noblemen, military commanders and warlords, and underneath them, dominant peasant clans more or less lived in a state of war, especially in western and northern India. All of them were desperately seeking money and the means to acquire more money to finance warfare. And yet, the outcome of that contest was not collective empowerment of the states after the pattern of Western Europe, but something quite the opposite, a collective disempowerment and collapse. In keeping up the military enterprise, almost all of these political actors ran into fiscal crisis and the states or quasi-states that they had formed shrank in size.

There was one large exception to this picture, and that was the English East India Company. The contest ended with the hegemony of the Company. One way of approaching the subject, therefore, would be to try to explain the final outcome of the competition. How did a company of foreign merchants triumph over powerful and militaristic Indian kings? Did military-fiscal strategies contribute to the rise of the Company? Did the European origin of the Company have any role to play in their military-fiscal enterprise? The paper is an attempt to answer these three questions.

Most answers to the first question now available can be grouped under two heads, and called the fall-of-the-Indians and the rise-of-the-west stories. The oldest view was articulated in nineteenth century imperialist history and carried over into Indian nationalistic narratives of colonization. The point of emphasis was the exceptional features of the Indian state. Autocratic regimes collapsed under the weight of their own competition induced investment in military technology, and the beginnings of a ‘military revolution’ in England, France, and Germany, Philip T. Hoffman, ‘Prices, the Military Revolution, and Western Europe’s Comparative Advantage in Violence’, Economic History Review, 64(s1), 2011, pp. 39-59.

contradictions. ‘Organized power having broken the field was left open for adventurers.’

A variation of the theme can be found in the regional historiography of the Maratha dominion, which attributes military debacles to ‘the feudal system and its fatal results’, and to quarrels amongst chieftains. The second position attributes the outcome of the contest to the Europeans’ mercantilist ambitions, imperialist drive, and superior military organization and technology. ‘Britain’, it is suggested, ‘was committed to securing its Indian interests at all costs’. The Europeans had an acknowledged lead in naval warfare, which had secured their position as major powers on the littoral. The decisive battles in the eighteenth century, however, were fought on land. In land warfare, the Europeans brought into India, if not a decisive advantage, some useful knowledge relating to infantry formation, command structure, professionalized officer corps, flintlock guns, cannons of cast iron, and mobile artillery. The Company’s superior financial capacity enabled it ‘to field a larger army than its Indian rivals’. Others contend that the entire ‘conquest of India’ built upon opportunism, ‘perfidious deals’ that the Europeans struck with enemy factions and the wealthy merchants and bankers.

Not all accounts of politics fit these overarching models. Uneasily co-existing with the failure of the Indians and the ingenuity of the Europeans is a third factor, luck, insofar as the Europeans had entrenched themselves in one of the resource-rich regions of India, the eastern Gangetic. Further, influential readings on northern India invite us to look at

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10 On mercantilism, Vries, ‘Governing Growth’.
13 Metcalf and Metcalf, *Concise History of India*, p. 54.
the changing structures of collaboration that the regional states depended on. In one view, agrarian and commercial expansion in the seventeenth century had empowered the landed gentry, merchants, bankers, scribes, and other literate officers of the state. The position of these groups, whose members did not come from traditional families holding military and fiscal tenures, was further strengthened in the eighteenth century via revenue farming on which the post-Mughal states depended. First advanced for the western Gangetic plains, capitalist consolidation was later extended to states in peninsular India. The accumulation of wealth among Indian merchants and bankers was potentially destabilizing for the regional states, because the interests of the former were more consistent with those of the Company than of the Indian nobility. The European trade settlements attracted merchants and bankers from all over India. Their role as collaborators and conspirators was so prominent in Bengal that the first major military encounter between the Company and a provincial army, the battle of Plassey (1757), has been described as ‘a transaction, not a battle’, by an Indian historian. The thesis of merchant collaboration illustrates the idea of a gradual evolution, even continuity between the pre-colonial and the colonial. Recent eighteenth century historiography, then, makes a case that the Company state


resembled the Indian states in aims and strategies too closely to permit seeing a rupture in the transition to British Empire.

There is truth in all of these accounts. And yet, individually, each one of these positions raises problems. Concepts of the state underlying the decline story stand much revised. The suggestion that India’s ‘feudal’ order had something to do with battlefield outcomes implies that the crucial difference was an institutional one, but how the Europeans differed from the Indian institutional order is left unsaid. The emphasis on quarrelsome leadership in Maratha history makes it difficult to compare the Maratha situation with those of the other Indian states. The rise-of-the-west story is problematical too. Mercantilism did not easily translate into imperial expansionism in India. The relationship between the two motivations was complex and unpredictable. To suggest that making ‘perfidious deals’ with factions of the enemy was a forte of the Europeans does not square with the fact that unprincipled intrigue as a weapon of war is sanctioned in all ancient Indian manuals on statecraft.

The proposition that the Europeans possessed superior military knowledge lives uneasily with the fact that there was convergence in knowledge even as there was divergence in battlefield outcomes. The practice of hiring European mercenaries by the Indian regimes was so extensive that a distinction cannot be maintained between European and Indian spheres of knowledge in the second half of the century. The distinction is

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20 Alam and Subrahmanyam, eds., The Mughal State.
21 Mysore under Tipu Sultan, or Hyderabad under the Nizam-ul-mulk did not suffer from divided leadership.
22 For at least thirty years after the Company registered a decisive military success in Bengal (Plassey, 1757), ‘[w]ar, conquest and the extension of territory were condemned as contrary to the interests of a trading company’ in the British political mainstream. P.J. Marshall, Problems of Empire: Britain and India 1757-1813, London: George Allen and Unwin, 1968, p. 63.
24 The most famous examples were Tipu Sultan of Mysore, Mahadaji Sindhia (Shinde), ruler of the Bundelkhand arm of the Maratha dominion, and Ranjit Singh of Punjab. On Mahadaji’s enterprise, see ‘Civis’, Letters, Political, Military and Commercial on the Present State and Government on the Province of Oude and its Dependencies (details unavailable), c. 1796, p. 25. See also J.P. Thomson, ‘An Autobiographical Memoir of Louis Bourquien’, Journal of the Punjab Historical Society, 9(1), 1923, pp. 36-71. All of the rulers, and especially Mysore, tried to control trade in military equipment and manufactured cast-iron cannons under European supervision.
blurred even more when we consider that the Company's army relied mainly on Indian soldiers with a thin layer of European command above them. The proposition that the Europeans fielded larger armies in the most consequential battles is possibly wrong. What we can be sure of is that the proportion of regular soldiers was significantly higher in the Company army, and that the army expanded in the nineteenth century. If the composition of the army played any role, we need to ask why the Indian regimes were constrained from adopting the best strategy. To sum up the critique with a broader point, using the ethnicity of the ruler to make sense of state formation is likely to fail, for such an approach blurs similarities and convergent tendencies between the Indians and the Europeans, just as it blurs important points of distinctness amongst the Indian regimes. I return to this issue in the next section.

Geography alone cannot explain conquest, for the Europeans shared the fertile Gangetic floodplains with other regimes. If natural resources were all that mattered to military success, why did precolonial Bengal, Rohilkhand, or Awadh, all fortunately situated, cave in to the Afghans, Marathas, or the Europeans? Commercialization as a potentially destabilizing force needs to be treated with caution. The obvious objection to the view that capitalist consolidation weakened the Indian regimes is that these regimes were just as heavily dependent on capitalists as was the Company.\(^{25}\) On the other side, the equation between Indian commercial interests and the Company was not necessarily a stable one, and often characterized by elemental distrust. Further, banker support was hardly an independent variable in explaining the political or fiscal stability of regimes; the causation should run the other way. From the perspective of new institutional economic history, which draws a connection between economic growth and strong states, the recent interpretation of eighteenth century India should appear anomalous. The interpretation tends to assume that many regions experienced an energetic capitalist flourish, even economic growth, which is not totally consistent with the prevalence of small, vulnerable, and shrinking states left with too little money to spend on infrastructure and public goods.

\(^{25}\) John Richards in one of his last writings argued that the important difference between the Company and the Mughal states was that the latter relied on credit much more. This is a valid point, but it overlooks the even greater debt-dependence of the eighteenth century Indian states. 'Fiscal States in Mughal and British India', unpublished.
Finally, the precise connection between a wealthy private sector and battlefield outcomes remains to be shown.

In some writings on eighteenth century state formation, it is recognized that battlefield strategies entailed fiscal innovations on both sides. In that spirit, Burton Stein read late-eighteenth century Mysore as an embryonic military-fiscal state. As these two examples suggest, applying the concept of one strategy to winners and losers alike risks emptying the concept of analytical relevance. Indeed, the emphasis in recent thinking on the element of continuity between the precolonial and the colonial states results in ‘military-fiscalism’ being applied somewhat randomly to diverse contexts.

With this critique of the literature behind us, the arguments of the paper can now be stated. I advance in this paper three connected theses on the colonization of India.

First, there was only one model of successful military-fiscalism in eighteenth century India, and it was represented by the East India Company. Several of the prominent Indian states, as they fought more battles, shrank in size. The Company alone managed to raise its revenue while continuing the war effort. The Company state, in this respect, did represent a revolutionary force in Indian politics, and a fundamental form of discontinuity in the concept of statecraft and in the relationship between the state and society.

Second, the Company’s success in this respect cannot be understood as a transplantation of European practices into India. In the middle of the eighteenth century, the political game being played by the Company was quite similar to that being played by its principal rivals. In the post-Mughal century, state formation had two distinct aspects, extortion and consolidation. Militarily strong regimes hailing from resource-poor regions staked claims upon the revenues of the virtually stateless former imperial provinces, as well as those of the richer states controlled by the remnants of the imperial administration. The fiscal system in this case involved the superimposition of a centralized military outpost

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28 See for example, Alavi, ‘Introduction’.
over a decentralized land revenue administration. I call this extortion. In the richer regions, the fiscal enterprise usually involved an overhauling of the relationship between the tax-paying landlords and the state, so as to direct more taxes to the treasury. This is what I call consolidation. Until the end of the century, major Indian powers tried to combine both strategies. The Maratha dominion combined consolidation in Maharashtra with extortion in Hindustan. Mysore, while targeting Travancore for extortion, tried to erect a consolidated statist setup in the core domain. And the Company combined consolidation in Bengal with extortion in Awadh. Despite this similarity, a growing divergence in the capacity to sustain a rise in military expenditure did unfold towards the end of the eighteenth century.

The third thesis explains this divergence, with reference to two interdependent factors: fiscal capacity and institutional innovation. Seeds of a divergence can be found in the emerging pattern of control over regional resources. With its strategic base at sea, the Company had secured itself in the littoral and deltaic zones. The productivity of land varied enormously between the floodplains of the Ganges and the dry interior, possibly by as much as a factor of four. Regions with higher land yield generated more revenue per square mile. The Company was fortunate in taking control of Bengal and Awadh, the two richest regions of India. Access to larger funding, and a favourable debt-service ratio, enabled it to expand the regular army, whereas there was a trend towards increasing dependence on mercenaries among its rivals.

Fiscal capacity mattered only in conjunction with institutional choices. The Indian states, which could sustain the military enterprise only by offering fiscal concessions and tenures to commanders, saw their power wither away in the presence of sustained conflict. The Company on the other hand recast the relationship between the state and the intermediate agents engaged in taxation, by making use of an unprecedented instrument, offer of marketable property rights to the landlords in exchange for compliance to the new military-fiscal order. Several factors were at work behind this institutional difference. Global (ideological) and local (geographical) factors merit equal consideration. The Company did not originate in an indigenous community, and therefore had no military heritage to defend, nor an interest in maintaining old property rights. The fact that it came from a world which had been adapting to constant wars by means of centralization of finances and conscriptions, made it readier than any Indian state of the time to try to
The Indian states had a path dependence to live with, namely, shared sovereignty with communities and individuals who supplied useful services, principally military services. Conflicts, therefore, led them to give away more powers. The higher revenue per area reduced the costs of territorial administration and policing potential rebels in the Company territories. In short, the coasts and the flood-plains made revenue centralization more promising than in the rocky landscape where Tipu Sultan designed his statist reforms. In the arid Deccan plateau and forested central India, devoid of good roads, much commerce, and large towns, it was considerably harder for the kings to shed their dependence on local bosses, who alone possessed adequate knowledge of the land and the means to coerce peasant headmen.

The rest of the paper has three main sections, dealing with, respectively, a restatement of the political history backdrop, fiscal capacity, and institutional choices, respectively. The last section concludes by weaving these threads together.

**The political process**

It is useful to begin with the Mughal polity. Generally speaking, medieval rulers maintained territorial control by assigning revenue grants to military commanders, who in turn relied on the local gentry for collection of taxes from the peasants, for organizing extension or improvement in cultivation, for maintenance of law and order, and for military supplies. In Mughal India, the command of cavalry was an honour bestowed by the Emperor for distinguished military service upon deserving candidates, and a mark of hereditary or acquired nobility. But such command was also a potential threat to royal power. The revenue assignment that the military elite were rewarded with (*jagir*), therefore, was in principle not a hereditary or proprietary one, but transferable. In its pure form, the jagir signified a notional share over a region’s tax resources; the holder of that office had little actual contact with the region concerned. Underneath these groups were the gentry or the landlords (*zamindar*), who lived in proximity of the peasant, collected and paid the land tax, and sometimes rose from the ranks of the peasants. Technically a tax-collector rather than proprietor, the landlord often enjoyed an effectively hereditary right. Like the *jagirdars*, they almost always owned arms, but their position was contingent on control of cultivators rather than control of soldiers.
The situation in southern, western, and eastern India maintained broad similarity with the northern one on the point of a tiered structure of rights based on tax collection. One difference was that in peninsular India, local military authority was often vested in a tributary king. The tributary king lived on land tax, lived in a fort, was in command of an army at the service of the regional state, but did not necessarily belong in the nobility. In the Deccan sultanates and Gujarat, tributary kings were common figures in the eighteenth century. Another difference between the flood-plains and the arid uplands was the weak presence of a gentry-landlord class in the latter. Concomitantly, hierarchy among the peasants was also more muted here, and the figures in authority in the countryside were not landlords but state officers who sustained themselves by land grant.

Within a few years after the death of Aurangzeb (1707), the Mughal Empire began to disintegrate. The break-up of the empire has been attributed to various factors, such as fiscal crisis generated by constant wars, Aurangzeb’s religious intolerance, the intrigue of nobles and ministers, and lack of financial support. Not all of these factors are relevant to this paper. One factor, however, is relevant. Between 1690 and 1720, almost everywhere the equation between the four major constituents of early modern states – the king, the commander, the landlord, and the peasant – was beginning to change. In this backdrop, the formation of the successor states followed broadly two pathways, towards what I call rule by noblemen and rule by commanders.

As Delhi witnessed the phenomenon that James Tod called fleeting phantoms of royalty, major provincial rulers loyal to Delhi such as the Nizam in Hyderabad, Murshid Quli Khan in Bengal, and Safdarjang in Awadh consolidated their finances and armies, and in their capacity as ‘advisors’ to the Emperor grew more powerful than the Emperor himself. While formally owing allegiance, they profited from the troubles the Emperor faced coping with rebellions and invasions. Despite the relatively peaceful transition, these regimes faced insurrection by landlords, and at times that of the military commanders. But they escaped usurpation of state power. There were several stabilizing forces at work. A substantial number of military tenures remained loyal to the king, who commanded

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symbolic authority as a representative of the Emperor. In some cases, such as Bengal under Murshid Quli, the state briefly regained the authority to enforce transferability of jagirs. Further, banking was relatively advanced in these regions, and the rulers commanded credit.

Away from the spheres of influence of the Mughal governors, or Nawabs, state formation followed a different trajectory. The west ruled by Rajput states, the western Deccan ruled by the weak state of Bijapur, and in the south the states left behind by Aurangzeb’s unfinished conquests, had never been administratively or politically integrated into the Empire. Their own spheres of authority, however, were contested in the early eighteenth century. From the turmoil, four major territorial and military powers emerged in peninsular India – the Marathas based in Poona, Mysore under Haidar Ali, The English East India Company, and the French East India Company, both based in the Coromandel coast. If the merchant companies are excluded, the pathway to state formation in these examples involved assertion of independence by the two intermediate orders – commanders and landlords – at the expense of the nobility. In the Deccan, Mysore, Punjab, and the lands populated by Rajput, Jat and Rohilla Afghans, these agents claimed either kingship or vassal status of the Emperor.

The most consequential example of the second pathway was the Maratha dominion in the second half of the seventeenth century. The individuals and families that later formed Maratha states, had been engaged by the Deccan sultans as military commanders and members of the irregular army. The position of strength in which these people found themselves was the culmination of service under the Deccan sultanates, during which hillforts came to be garrisoned by the Marathas.30 Rallying under Shivaji, they resisted the sultans, and posed an obstacle to Mughal ambitions in the Deccan. By the end of the century, they exercised effective control over parts of present-day Maharashtra. In the first half of the eighteenth century, the army enlarged in size, and conquests were made of Gujarat, Malwa, Bundelkhand, and Berar, which became parts of a network that British writers alternatively called ‘empire’, ‘republic’, or ‘confederacy’, and I will call by a fourth option ‘dominion’. In the 1750s, the northwestern tributaries of the Mughal Empire became

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a target of the Afghan rulers. The Marathas had also been making moves towards the northwest. In the third battle of Panipat (1761), a combination of Afghan, Awadh and Rohilla forces defeated the Maratha army. Although losing the capacity to carry out further conquests, Maratha forces of Bundelkhand and Malwa regrouped and raided both the western Gangetic and eastern Rajasthan, until the second and the third Anglo-Maratha wars (1803-4 and 1817-8) led to annexation of much of their lands by the Company.

Commander-ruled states in northern India arose from Rajput rebellions in eastern Rajasthan, and in the Gangetic plains. In Rohilkhand or Katehr, an agriculturally prosperous segment of the western Gangetic plains, former commanders under the Mughals established an independent rule between 1710 and 1750. Rohilla power after 1765 was weakened by invasion of Maratha and the Company army. A different example of commander rule occurred in Mysore, where a military general, Haidar Ali, became the de facto ruler in 1761. For the next 38 years, Haidar Ali and his son Tipu Sultan tried to create an effective military administration in the region. A final example of the formation of a state out of military command was Punjab, where Ranjit Singh came to power in 1799. He succeeded, like Shivaji, in uniting the majority of the clans and their chiefs into a viable alliance. The resultant improvement in central finances enabled him to strengthen and modernize the army. Soon after his death in 1839, inter-clan rivalry reappeared, and partly taking advantage of these conflicts, the Company annexed Punjab in 1849.

The core political process in the eighteenth century saw these two pathways of state formation become entangled. The commander-ruled states in the Deccan displayed a propensity towards territorial expansion not so much by outright conquest as sending military missions to demand protection money. Mysore eyed Malabar and Coromandel, and the Marathas Delhi, Awadh, Rohilkhand, Punjab, and briefly Bengal. The principal targets were the nobility-ruled states, located in the much wealthier tracts of land, who responded rarely by military means, and more often by means of alliances, tributes, and intrigues. Early in the second half of the century, two events presaged a change in this process. In 1761, the Peshwa’s army lost at Panipat. And in 1765, the Company received the taxation rights of Bengal, Bihar, and Orissa from the Mughal Emperor. The two events did not

introduce any immediate or fundamental break, especially since the mutinous Afghan army had to leave Delhi. But it led the way to a larger role for the Company in the north Indian theatre, and increased the choice of 'protectors'. The Company now became a useful ally to some, and a potential threat to the survival of any ruler who did not negotiate. In a series of battles, the Company fought with all of the major powers, with the exception of the Nizam. It suffered reverses and losses in the 1770s, but from the 1790s, won the battles that made a difference to the future political map of India.

It is well-known in military history that the Company's success partly owed to superior access to finances necessary to build a standing army. Where did the capital come from?

Fiscal capacity

A fuller understanding of comparative patterns of military-fiscalism requires some knowledge of the potential fiscal capacity of different regions. This is essentially a statistical problem, which the current scholarship is yet to address in a serious way. If we do have the relevant statistics, it is possible to define a scenario of sustainable military-fiscalism to be the one where the proportion of state expenditure on army is relatively high, and the state expands the scale of revenues to meet the expenditure without going bankrupt. To arrive at a measure of this index, I have gathered some data on revenues and the scale of the military enterprise, which are available from British printed sources, historical research that has used the Peshwa archives, and the British Parliamentary Papers. It is not easy to verify the reliability of each individual figure. All I can do is assume that the figures cannot be systematically or drastically wrong, because most of these numbers were reported by participants in the political contest, whose business it was to know the revenues of the territories that they coveted or defended. Indeed, their survival depended on such knowledge.

Numbers, however, are scarce. After 1773, the Company was accountable to the Parliament, and maintained regular accounts, if in an archaic style, on territorial revenues. But these figures are not detailed enough to lend themselves easily to adjustments for territorial acquisitions. Public finance accounts of the Indian states are hard to find and harder to read. In these cases again, unstable borders pose a problem, compounded by
suspected convergence of the accounts of the states and the kings. This difference in the quality of data partly illustrates the very hypothesis I wish to examine here, that the attempt at fiscal consolidation proceeded in an uneven fashion. For example, one of the difficulties of estimating the income of any state in this time was the presence of multiple claimants (kings and jagirdars) and multiple centres (core zone and tributary zones).

Despite these difficulties, two quite robust propositions can be advanced. First, the proportion of the military in total expenditure was high in the second half of the century (Table 1). And second, the aggregate revenue flows to the Indian states taken together fell in the eighteenth century (Table 2). There was one exception to this rule, and that was the Company. The Company did not experience a dramatic increase immediately after the takeover of the fiscal administration of Bengal. In fact, the 1770 famine even destroyed some of the initial gains. However, there was acceleration thereafter as the Company consolidated its land administration. On the Indian side, the fall partly reflected territorial losses, but not wholly so. The crisis owed to a weakening hold of the state upon its revenue assignees and officers. The revenue per unit of area or population did not rise to offset territorial losses. The Peshwa’s revenues declined from £4 million in 1765 to 2.1 million in 1813 and 1.6 before British takeover.\(^3^2\) In 1770, Haidar Ali’s dominions yielded revenue of about £0.8 million, which Tipu’s conquests increased to £2.8 in 1792.\(^3^3\) The territory carved up by the alliance between the Company, Nizam, and the Marathas after the fall of Tipu produced revenue of £1.4 million. The territory of Mysore returned to the Wodeyar king produced estimated revenue of 0.4 million (Table 3). Other instances of decline include Rohilkhand, where the end of Rohilla power led to a significant fall in revenues flowing into the Awadh state.\(^3^4\)

The Company could not finance warfare from its income. The proportion of interest-bearing debt-to-revenue ratio rose from 120 per cent in 1793 to over 300 in 1809,


declining to 200 per cent in 1833. Ninety per cent of the war finance was raised in India. Although the cost of credit was about half (5 per cent) in England of that in India, the share of the English money market did not rise until after the territorial wars were over. In other words, all major rival states in the late-eighteenth century competed for money in the same money market. Credit was also critical to the other states. Possibly a quarter of the aggregate Maratha revenues in 1763-5 came from loans. Rs. 10 million were taken from the bankers, according to one estimate for the 1760s. Where, then, was there a difference between British territories and their Indian rivals? In Peshwa’s territory, debt service in the 1760s took away about a third of the net income of the state. There is reason to believe that Panipat left a permanent effect upon sovereign debt in the Maratha dominion. In British India, in the decade of the third Anglo-Maratha wars, debt service as a percentage of revenue fell from nearer 20 per cent to 12 per cent. In the second and the third Anglo-Maratha wars, the Maratha states raised money by mortgaging the right to give land grants. These figures suggest that sustainable capacity to borrow varied according to taxable capacity.

38 The Company’s dependencies by then were under a burden of tribute that left them financially incapable of raising an army, and bound by treaties that restrained their military options. For Awadh, see B.P.P. (vol. 55) Copy Proceedings and Correspondence relative to the State and Condition of the Country of Oude and its Dependencies, and of the Reigning Family thereof; including the Charges made by Mr. Hastings against Mr. Bristow, &c. &c. &c., 1786, p. 30.
Table 1. Military charges in total revenue

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<tr>
<th>Area</th>
<th>Percentage of direct military expenditure in revenue</th>
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<tr>
<td>Bengal, Bombay, Madras, 1796-1797, average(^a)</td>
<td>81</td>
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<tr>
<td>Combined British territories, 1819-20(^b)</td>
<td>65</td>
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<tr>
<td>Awadh, 1784-1792, average(^c)</td>
<td>74</td>
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<td>Peshwa’s territory, c. 1780(^d)</td>
<td>80</td>
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<td>Hyderabad, c. 1800(^e)</td>
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<td>Mysore, 1799(^f)</td>
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Notes:


c. Tribute paid to the Company for the defence of Awadh (average over 1786-1792) is taken as a proportion of revenues (average over 1784-89). ‘Civis’, *Letters, Political, Military and Commercial on the Present State and Government on the Province of Oude and its Dependencies* (details unavailable), c. 1796.

d. The revenue corresponds to actual inflow of cash into the treasury, and expenditure consists of payment to troops ‘who receive their allowances in ready money’, and maintenance of the 700-odd forts, Anon., ‘Of the Productions and Peculiarities of the Marratta Country’, *Asiatic Miscellany*, 1792, pp. 153-162. The revenue estimate is based on impression. But the amount, Rs. 50 million, is not improbable since official accounts show that in 1789, total inflow of tribute to the Peshwa state from *subahs* in Hindustan and Gujarat amounted to Rs. 21 million, see V.S. Kadam, *Maratha Confederacy*, Delhi: Munshiram Manoharlal, 1993, pp. 74-5.

e. Refers to c. 1830, and includes tribute to the Company and expenditure on domestic troops. I assume that the 1800 expenditure on the military establishment exceeded this percentage because of the ongoing hostilities with Mysore.

f. Infantry wages are assumed to range between Rs. 50 and 100 and cavalry Rs. 200 and 400 per annum. The foot-soldiers of Maratha households (*paga*) in 1800 earned Rs. 8 per month. The cavalry-infantry wage-ratio was usually 4:1 in the case of Awadh and the Company. For revenue, see Table 3. The assumptions are conservative. In a market characterized by high risk and high demand, wage structure was unstable. The salaries of European mercenaries as well as Indian commanders and musketeers immediately before a battle bore little relation with the regular pay and allowances of foot soldiers. In the 1764 Buxar campaign the Awadh Nawab Shujauddaula paid Rs. 300-1000 per month to his European commanders. Bartholomew Burgess, *A Series of Indostan Letters*, New York, 1790, p. xxii. Burgess was an American merchant.
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<th>c. 1667</th>
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<tr>
<td>Revenues of all states in India</td>
<td>26(^a)</td>
<td>38(^b)</td>
<td>-</td>
<td>22-29</td>
<td>-</td>
<td>34(^c)</td>
</tr>
<tr>
<td>British India(^d)</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>8</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Indian states</td>
<td>26</td>
<td>38</td>
<td>-</td>
<td>14-21(^e)</td>
<td>-</td>
<td>13</td>
</tr>
</tbody>
</table>

### Major Indian states (before annexation)

<table>
<thead>
<tr>
<th>State</th>
<th>c. 1667</th>
<th>1707-09</th>
<th>1764</th>
<th>1800</th>
<th>1818</th>
<th>1853</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awadh</td>
<td>0.8</td>
<td>0.9(^a)</td>
<td>-</td>
<td>0.8</td>
<td>-</td>
<td>1.4</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>-</td>
<td>2.8(^a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.5</td>
</tr>
<tr>
<td>Bengal, Bihar, Orissa</td>
<td>3.6</td>
<td>2.8(^a)</td>
<td>2.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Peshwa(^d)</td>
<td>-</td>
<td>-</td>
<td>4.0</td>
<td>4.0</td>
<td>1.6</td>
<td>-</td>
</tr>
</tbody>
</table>


\(^c\) See Table 5.

\(^d\) B.P.P. (vol. 363), *Select Committee on Affairs of East India Company Second Report*, 1810, Appendix, pp. 16-26; Sykes, ‘Past, Present, and Prospective Financial Conditions’.

\(^e\) Estimates exist for some of the Maratha territories, and Awadh (Table 3). A segment of these two regions accounted for half the revenues of the princely states in 1853. On this basis, I consider that the princely states we do not have any data for could produce over half but less than two-thirds of the income of the Indian states. Two estimates of aggregate Maratha revenues in this time produce £12 million (1792) and £16 million (1800). If we accept these numbers, the revenue of the Indian states should increase to £28-32 million, still smaller than the number for 1707. However, these were conjectural numbers, and hugely exaggerated the taxable capacity of the Maratha dominions in Hindustan.
Table 3. Area and estimated revenue, 1780-1817

<table>
<thead>
<tr>
<th>Area</th>
<th>Approximate territorial extent in square miles</th>
<th>Estimated revenue, million £</th>
<th>Revenue per square mile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mysore, 1799 (after annexation)a</td>
<td>29,000</td>
<td>0.41</td>
<td>14.2</td>
</tr>
<tr>
<td>Peshwa, 1780b</td>
<td>120,000</td>
<td>4.00-5.00</td>
<td>33.0-41.7</td>
</tr>
<tr>
<td>Peshwa, 1800c</td>
<td>120,000</td>
<td>4.00</td>
<td>33.0</td>
</tr>
<tr>
<td>Peshwa (after annexation), 1818d</td>
<td>50,000</td>
<td>0.50</td>
<td>10.0</td>
</tr>
<tr>
<td>Bhonsle and Sindhia (after annexation), 1818e</td>
<td>70,000</td>
<td>0.25</td>
<td>3.6</td>
</tr>
<tr>
<td>Bengal, 1795f</td>
<td>110,000</td>
<td>5.80</td>
<td>52.0</td>
</tr>
<tr>
<td>Awadh, 1781g</td>
<td>29,000</td>
<td>0.70</td>
<td>24.1</td>
</tr>
<tr>
<td>Awadh, 1801g</td>
<td>29,000</td>
<td>0.79</td>
<td>26.5</td>
</tr>
<tr>
<td>Travancore, 1807h</td>
<td>8,100</td>
<td>0.25</td>
<td>30.9</td>
</tr>
</tbody>
</table>

Sources:

a. James Mill, *A History of British India 1805-1835*, vol. 1, London: James Madden, 1858, pp. 4. The figures, reported in Kanthirai pagoda, were converted at the rate of 3 current rupees to a pagoda.


d. H.H. Wilson, *A History of British India 1805-1835*, vol.2, London: James Madden, 1858, pp. 279-80. The Peshwa’s territory acquired by the Company after the third Anglo-Maratha war amounted to an estimated 50,000 square miles and extended from Khandesh to Canara, and Konkan to western Deccan. The tributary dominion was considerably smaller than the area from which the Peshwa had received income in 1780.

e. Wilson, *History*, vol. 2, p. 283. Both the area and the revenue seem to have been underestimated.


g. H.M. Lawrence, *Essays, Military and Political Written in India*, London: W.H. Allen, 1859, p. 101. The figures, when reported in Fyzabad rupees, were converted using the exchange of 2.9 Fyzabad rupees to a current rupee. Henry Montgomery Lawrence was chief commissioner and agent to the Governor-general in Oudh in 1856-7, and died in the siege of the Lucknow residency.

The access to increasing sums of money allowed the Company to expand its standing army between Plassey and the Sikh wars (Table 4). The decision to do so was motivated less by long-term planning, and rather more by immediate anxieties regarding the Indian powers. Long before the Company became active in north Indian politics, its obsession with the defenses of the Fort William in Calcutta made a Dutch observer remark, ‘if they ever lose their power here, their fall will, in all probability, proceed from the heavy expences, which they sustain, in keeping up so important a military establishment…’\textsuperscript{39} By contrast, their chief adversaries were in this time becoming dependent on the supply of irregular soldiers by their allies. Although the Company bore a heavier burden, the large expenditure commitments exerted a path dependence effect, and turned military planning into a long-term project rather than one that had to adapt to every battle.

The increasing financial capacity allowed the Company to make forward-looking employment contracts. A simple comparison of salaries will be misleading, because pay practices depended on the composition of the army. There was, however, an emerging contrast in the implementation of any employment contract. The source of the contrast was the feasibility of altering the proportion of regular and irregular categories. Flexibility in this respect meant that the salaries of the Maratha infantry rarely followed the stated regulations. Haidar Ali paid fixed wages to his cavalry, but stretched by the campaign against the tributary kings, reduced the number of days of service, ‘the balance being supposed to be made up by .. plunder’.\textsuperscript{40} The predominance of irregulars and short-term credit made war budget an on-the-spot affair, a good illustration being the financing of Panipat by means of raids in Delhi. There is no record of a pension plan for soldiers in the Indian armies. Land grants were made, but not according to a stated policy as far as one can see. In the early nineteenth century, the Company had a policy of rewarding long service. The Bengal army resettled invalids and retired soldiers with land grants.\textsuperscript{41} In Madras, half-pay pensions were granted after 22 years of service.\textsuperscript{42} These policies had a practical aim.

\textsuperscript{40} Lewin B. Bowring, Rulers of India: Haidar Ali and Tipu Sultan, Oxford: Clarendon Press, 1893, p. 78
The challenging task before the Company’s military command in the second quarter of the nineteenth century was how to disband large number of soldiers in a peaceful manner. The retirement scheme attained this goal.43

If the steady rise in the Bengal revenues over time reflected administrative efficiency or superior political capacity, the Company was undoubtedly fortunate in having its base in deltaic Bengal. The initial levels of revenue per head or per unit of land were higher in the Company-controlled areas. Overall, the revenue generation potentials of the Gangetic plains were much higher than those in the Deccan and central India, because of vast differences in the productivity of land, and the larger extent of forests and wastes, the difficulty of transportation, high trade costs, and poor access to maritime commerce, in the latter. Revenue per square mile can be taken as a proxy for the relative cost of administration. For such costs should bear a positive relationship with the area administered.44 At the time of the final conflict with the Marathas, the Company was earning a much larger income than any of the Indian states, from a territorial extent still smaller than that controlled by the Indian states. Only a small part of this income can be explained by tributes from dependent regimes. In 1795, two-third or more of the income was generated internally, whereas only half or less of the cash inflow into the Peshwa's treasury came from land revenue. And this internally generated stream was higher per square mile of territory controlled by the Company, so far as we can measure (Table 3).

Three years after the third Anglo-Maratha war, when the territorial extent of Bengal, Bombay, and Madras had more or less stabilized, gross revenue per square mile in Bengal was about four times (£54 per square mile) that in Bombay (£17), with Madras coming in between (£34). In 1827-8, W.H. Sykes conducted a detailed survey of four districts of Bombay-Deccan, which had once formed the core of the Peshwa’s territory (Poona, Ahmadnagar, Dharwar, and Khandesh).45 The gross revenue was £17 per square mile. In the same year, the revenue of Bengal was near £30. In 1840, the figures for Bengal, Madras,

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43 These achievements were short-term. Accounts of the prehistory of the mutiny suggest an atrophy of the incentive and reward structures and hardening of racial hierarchy in the 1840s.
44 It is possible to argue that while it could vary positively with population density, relatively wages should fall. A large and sparsely populated territory could raise both types of cost.
and Bombay were, respectively, £35, £34 and £17. These figures show the contrast between the former Maratha dominions and the British ones.

For a more meaningful comparison, we would like to collect fiscal data at a greater level of detail than the Presidency-wise revenues, and in greater uniformity than the numbers of Table 3. A more uniform set of data is indeed available for a somewhat later date in a pamphlet on financial transactions between the Company and the princely states (Table 5). By the time the data were compiled, c. 1850, the political contest had ended, tribute giving and taking reduced in scale, and in most regions new administrative institutions had been set up. By and large revenues still came mainly from land tax and therefore revenue per square mile should reflect the productive power of the region. A particular virtue of this dataset is that all the revenue figures come from the same source, whereas the data presented in Table 3 come from discrete sources. Table 5 suggests that in terms of revenue per capita, Indian regions were quite similarly placed. However, in terms of revenue per unit of land, there was a significant difference. The more advanced regions were, predictably, located in the Gangetic plains. The more poorly endowed regions were situated in the arid peninsular India. Based on potential land revenue, any contest between Mysore, Hyderabad, Punjab, Rajputana, or the Maratha spheres in Hindustan, on the one hand, and the Company on the other, was an unsustainable one unless it was managed innovatively.

Needless to say, merely the level of earnings from land explains nothing, for it begs the question of why pre-British Awadh or Bengal had failed to emerge as militarily the dominant force in the eighteenth century. It is proposed in the next section that the difference reflected the effectiveness with which the Company could subject the intermediate orders to the demands of the treasury. Such institutional innovations stemmed from a mode of political calculation that was not indigenous to India, and had consequences for military policy.

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46 B.P.P. (vol. XVII.85), An account of the Revenues and Charges of India, in each year from 1812/13 to 1821/22, 1823; India, Statistical Abstract relating to British India, from 1840 to 1865, London: HMSO, 1867.
Table 4. Approximate size of armies, major battles and reserves

<table>
<thead>
<tr>
<th>Year</th>
<th>1740-50</th>
<th>1750-60</th>
<th>1760-70</th>
<th>1770-80</th>
<th>1780-90</th>
<th>1790-1800</th>
<th>1800-10</th>
<th>1810-35</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maratha</td>
<td>80,000\textsuperscript{a}</td>
<td>70,000\textsuperscript{b}</td>
<td>56,000\textsuperscript{c}</td>
<td>50,000\textsuperscript{d}</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mysore</td>
<td>23,000\textsuperscript{e}</td>
<td>45,000\textsuperscript{f}</td>
<td>58,000\textsuperscript{g}</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-British Bengal</td>
<td>25000\textsuperscript{a}</td>
<td>50,000\textsuperscript{h}</td>
<td></td>
<td>61,200\textsuperscript{i}</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awadh</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>70,000\textsuperscript{j}</td>
<td>153,000\textsuperscript{k}</td>
<td>130,000\textsuperscript{l}</td>
</tr>
<tr>
<td>Company</td>
<td>3,000\textsuperscript{m}</td>
<td>35,000\textsuperscript{n}</td>
<td>70,000\textsuperscript{i}</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


b. Panipat, 1761, including cavalry 56,000, of which 2,000 belonged to Ibrahim Khan Gardi. Two contemporary accounts on the battle using different sources are, Anon., ‘An Account of the Battle of Panipat’, \textit{ Asiatic Researches}, 3, 1799, pp. 91-140, translation of the Persian manuscript by Casi Raja (Kashiraj) Pandit, \textit{vakil} of Awadh and an eyewitness; and \textit{Seir Mutaqharin of Ghulam Husain Khan}, Calcutta: R. Cambray, vol. 3 of 3, pp. 385-9. They produce similar numbers, but also suggest that numbers for Panipat are unreliable, because of the preponderance of irregulars and camp-followers on both sides, numbering several hundred thousands.


d. Assaye, 1803. The size of the reserve army, like aggregate revenue (see Table 3), is estimated to be much larger. But in no single major battle, more than a third of such numbers could be mustered.


f. 1780, Haidar Ali’s army, 28,000 cavalry. In addition, there were 40,000 ‘peons’ or irregulars. Charles Macfarlane, \textit{A History of British India}, London: George Routledge, 1853, p. 183. 1790, Tipu Sultan, cavalry 20,000.


h. 1792, potential size comprising of all jagirs, cavalry 13,400. ‘Civis’, \textit{Letters}.


j. 2,340 cavalry.

k. Size of standing army in 1808, 10,400 cavalry. B.P.P. \textit{Select Committee}.

l. Size of standing army in 1832, 12,000 cavalry.
Table 5. Area, population, and estimated revenue, 1853

<table>
<thead>
<tr>
<th>Province</th>
<th>Area (sq miles)</th>
<th>Population (millions)</th>
<th>Revenue (million £)</th>
<th>Revenue/capita</th>
<th>Revenue/sq mile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyderabad</td>
<td>80,000</td>
<td>10.7</td>
<td>1.50</td>
<td>0.14</td>
<td>18.8</td>
</tr>
<tr>
<td>Gwalior</td>
<td>25,000</td>
<td>3.2</td>
<td>0.32</td>
<td>0.10</td>
<td>12.9</td>
</tr>
<tr>
<td>Indore</td>
<td>10,000</td>
<td>0.8</td>
<td>0.22</td>
<td>0.27</td>
<td>22.0</td>
</tr>
<tr>
<td>Mysore</td>
<td>29,000</td>
<td>4.0</td>
<td>0.69</td>
<td>0.17</td>
<td>23.8</td>
</tr>
<tr>
<td>Berar</td>
<td>113,000</td>
<td>4.6</td>
<td>0.49</td>
<td>0.11</td>
<td>4.3</td>
</tr>
<tr>
<td>Awadh</td>
<td>29,000</td>
<td>6.5</td>
<td>1.40</td>
<td>0.22</td>
<td>48.3</td>
</tr>
<tr>
<td>Mewar</td>
<td>13,000</td>
<td>1.0</td>
<td>0.14</td>
<td>0.14</td>
<td>10.8</td>
</tr>
<tr>
<td>Punjab</td>
<td>105,000</td>
<td>14.6</td>
<td>1.24</td>
<td>0.08</td>
<td>11.8</td>
</tr>
<tr>
<td>Travancore</td>
<td>8,100</td>
<td>1.3</td>
<td>0.46</td>
<td>0.36</td>
<td>56.5</td>
</tr>
<tr>
<td>Northwestern</td>
<td>81,500</td>
<td>28.2</td>
<td>6.12</td>
<td>0.22</td>
<td>75.1</td>
</tr>
</tbody>
</table>

Source: Anon., *The Native States of India*, 1853. The author of the 27-page pamphlet was possibly Edward Thornton, the East India House officer who prepared a number of pre-mutiny Gazetteers, and was also the author of *Statistical Papers relating to India*, London: East India Company, 1853, which was the main source for the figures. Some of the area figures come from the *Statistical Abstracts of India*.

**Patterns of institutional change**

When addressing the issue of how effectively fiscal resources were deployed, it is perhaps necessary to connect three isolated propositions implicit in the scholarship on the eighteenth century. First, there was a growing distance between regions in the relationship between the state and the intermediate orders, that is, tax officers and land grantees. Second, linked with this divergence, the states had variable capacities to create and control their forces. And third, geography mattered to the capacity of the rulers to control the intermediate order.

In precolonial Bengal, Hyderabad, and Awadh, the structure of proprietary rights followed the Mughal principle of awarding jagirs, and awarding the right to award jagirs, to nobles loyal to the king. These jagirs, however, were treated as heritable property. In Hyderabad, there was a largely peaceful passage into a harmonious partnership between the ruler and the landholders from the late eighteenth century, made possibly by the
retreating military threat.\textsuperscript{47} In Awadh, the peaceful transition to a successor state had made the zamindars more powerful and assertive. The Awadh Nawabs were partially successful in containing revolts in the west, whereas in the east, groups with more resources and military strength broke away. Facing the Maratha threat, the regime became militarily dependent on the Company, financially bankrupt, and lost control over the local agents in the fiscal system. English reaction to a crisis that they had themselves created in some measure was at first respectful submission of accounts showing a massive credit balance. The mood changed in the nineteenth century, when intelligence from Lucknow made a thinly veiled case for takeover, since ‘without our sepoys [the nawab] could not have .. collected a rupee of revenue.’\textsuperscript{48} ‘The present sovereign of Oude is just what might be expected of a person brought up in a harem.’\textsuperscript{49} Statements such as these reflected the losing relevance of the Nawab for English interests in north India. The picture was not far from the truth. What it omitted to mention was that the induced bankruptcy had left few options to the ruler, who concentrated his energies on literary and musical pursuits. Bengal by contrast displayed swings in the balance of power between the state and the substantial landlords who supplied military service as well. Murshid Quli succeeded in wresting more taxes from them. But his harsh punitive measures were not wholly accepted by the nobility, and reversed by his successor. Thereafter, some of the larger estates, such as the Burdwan Raj studied by John McLane, prospered in the eighteenth century.\textsuperscript{50} In the 1740s, the Nawab Alivardi Khan needed to press many landlords into military service to deal with the Marathas. Faced with potential takeover by the Company, the last independent Nawab Mir Kasim again tried to recast the equation, only to lose in the battlefield.

If in these examples we see the nobility-cum-gentry groups maintain control over arms and the means of collecting money, in the commander-ruled states, we see a propensity towards gifting away these means to commanders. In the case of nearly all the major Rajput states in the eighteenth century, military tenure holders became powerful as

\begin{itemize}
\item \textsuperscript{48} Macfarlane, \textit{History}, p. 163.
\item \textsuperscript{49} J. Sutherland, \textit{Sketches of the Relations subsisting between the British Government in India and the Different States}, Calcutta: Military Orphan Press, 1837, p. 45.
\item \textsuperscript{50} \textit{Land and Local Kingship in Eighteenth-Century Bengal}, Cambridge: Cambridge University Press, 1993.
\end{itemize}
a result of the Maratha threat, and often turned kingmakers in their own domain. The most important case is the Marathas. Although Shivaji had created an apparatus of state, and made some proclamations on good governance, his real legacy was not institutions of state, but an army funded by taxes raised by the centre. The army, consisting of an infantry and a mobile light cavalry, proved itself effective against the Mughal army, the core of which was formed of a cavalry that was heavily armed and moved slowly. In the early eighteenth century, there were several such units that joined to lead the main territorial conquests. These bands were individually too small to pose a threat to a large organized army, but sufficiently large and mobile to make imperial armies ineffective.51 Outright conquest, in other words, was not always a feasible strategy to raise taxable wealth. But sharp and frequent raids could paralyze the enemy enough to force a negotiation on tax sharing.

With the expansion of the territorial extent under Bajirao I, and the need to maintain military outposts in distant tributary zones, a different form of military-fiscal strategy was required. A general contrast can be drawn between zones of origin and zones of conquest. In zones of origin, that is, in the western Maharashtra territories where the Peshwa ruled, land grants were made to military chiefs to provide sustenance for the troops under their pay, creating a modified jagirdari system. In turn, the jagirdars as well as the state relied on Brahmin and other state officers for conducting the businesses of state. Some of these officers emerged into the mainstream and became landlords in turn. In zones of conquest, on the other hand, the landlords who had served the Mughal provincial state continued to function under the Marathas, who employed a credible threat upon the landlords to make them comply. What kept this machine running was the subsidy from Hindustan contributing to the consolidation of the intermediate order in Maharashtra. The flow was kept in place by a collection of self-financing military outposts at the exterior. The budget of each commander was separated from the central budget, and instead of provinces being financed out of a central pool of resources, the centre was subsidized by tributes from the provinces. As long as tribute came in from zones of conquest to subsidize the zones of origin, the whole could sustain its military enterprise. However, the defeat in Panipat put a check upon conquests, and 1803 saw serious territorial loss. The zones of

origin, where fiscal administration had deteriorated by then, could not sustain military
effort on its own and became a British dependency. The disintegration of the fiscal system
had been developing more gradually for a long time. At the time of the alliance with the
English, the Peshwa ‘has not sufficient power to levy the kist. The jagheerdars of the
southern frontier are in a great degree independent of him, and pay him but a trifling, if any
tribute.’ The dissensions among Maratha chiefs, the increasingly disputatious nature of
any accession in Poona, and the withholding of tribute from other branches of the
dominion even before territorial loss, need to be seen in the context of this endogenous
economic crisis.

In Mysore, a great part of the extraordinary energies of Haidar Ali and Tipu Sultan
was taken up in centralizing revenue. These efforts were disturbed by the fact that both
rulers needed to maintain the flow of money from the tributary kings, which mission
dissipated a great deal of the state resources, and made the fiscal enterprise too dependent
on territorial expansion. To overcome the dilemma, Tipu issued a set of detailed
regulations aiming to nationalize a number of trades, widen tax base, and improve
compliance. Historians have come too close to reading Tipu’s regulations as evidence of
real change.53 The effect of the measures, in fact, is a matter of guesswork. The
overwhelming focus of the regulations was a direct contract (‘a promise of engagement
from a superior to an inferior’) between the state and the cultivator. The agent in charge of
implementing that contract on behalf of the state was the village officer, which was a more
or less hereditary office attached to the village and paid for with rent-free land. The
regulations make it abundantly clear that neither this officer nor the amil (revenue-officer),
mutsuddy (clerk) and kelladar (fort in charge) commanded the trust of the state. The
regulations are filled with orders that start with the words, ‘it has been the practice in the
districts’, and warning that such practices could invite the ‘severest displeasure’ of the
huzoor (government). These included revenue farming, which clerks, accountants, and
other officers indulged in, and the routine practice of village officers coercing the peasants

52 Anon. (‘An Officer in the Service of the East India Company’), *Origin of the Pindaries*, London: John
Murray, 1818, p. 141.
to work their own lands. ‘Falsehood is an offence of the highest nature .. and God has declared the lyar to be a companion of Satan’ – the regulations remind the amil, who had a realistic hope of evading punishment in this world.\textsuperscript{54} The regulations leave one with the impression that these were attempts to mend a flawed system, flawed in that they were injunctions addressed to an officer-cum-gentry elite who could not be removed from their rights to village assets, and who, using their entrenched power, worked at cross purposes with the state.

The Company’s mission in Bengal had been moving on a wholly different trajectory. Soon after British takeover of the fiscal authority of Bengal (1765) and during the first round of land surveys conducted by a Committee of Circuit (1771), the administrators of Bengal agreed that it would be inadvisable to try to raise revenues ‘by destroying all the intermediate order of men between the ruler and the cultivator’.\textsuperscript{55} But they also faced a situation where a large number of landlords and their associates failed to meet their revenue engagements from incapacity, mismanagement, or worse, a feeling that the new state like the old ones did not pose a credible threat. This threat earlier materialized in the shape of a visit by a state officer accompanied by a group of armed men, whose job it was to inspect the reasons for default, and take punitive action if appropriate. The penalty rarely included dispossession from tenure unless it was a question of disloyalty. This instrument had repeatedly failed to work, even failed to appear, during the Nawabi regime. While expressing the need for a credible threat, the regime upheld the hereditary proprietary rights of the landlords, acknowledging ‘that the Zemindars, Talookdars, &c. were the hereditary proprietors [of land], and gave testimonies in favour of their rights’.

It was considered that ‘[t]he fear of the sale of their lands is the only probable instrument of keeping them to their engagements; and the actual sale of them is the only means of reimbursing the Government if they fail’.\textsuperscript{56} A universal rule by coercion would be inviting trouble. A rule by market had the advantage that it separated the good from the bad zamindar, and reduced the costs of policing. The only resistance to the scheme was

\textsuperscript{54} British India Analyzed: The Provincial and Revenue Establishments of Tipu Sultan, London: E. Jeffrey, 1793, vol. 1, p. 90.
\textsuperscript{56} Ibid., p. 12.
likely to come from the larger zamindars. The policing problem was to ensure compliance of these people. Subdivision of estates into smaller lots, whether via auction or inheritance law was in this context ‘for the interest of the Government’.57

How was this mechanism put in place? Between 1770 and 1793, landlord asset was made more marketable, and increased in value as collateral. The Company was beginning to overhaul the legal infrastructure by instituting a set of courts and uniform procedural law. The claim to landed property was required to be verifiable in the new courts of law, rather than in the courts of Islamic law, courts of the royalty, or courts of the peasant communities as before. Further, the state made the state-landlord relationship a contractual one, meaning that the failure to pay revenues led to resumption and sale of estate to the highest bidder. The revenue auction element diluted and weakened the military element among the landlords, as it did in Awadh and Hyderabad, and brought in bankers and officers of state into the landlord cadre. On the other hand, the move towards a verifiable property right defensible in the courts strengthened landlord right. It was this quid-pro-quo that explains why the revolution could be carried through with comparatively little resistance from the landlords. These two principles were generalized in the Permanent Settlement of 1793. What followed these reforms is too well-known to be repeated in detail. An outburst of auction sales splintered the large estates, and brought in some new people.58 Within a few years, the military and nobility element in the landlord class became weaker. The outcome of the new paradigm on revenues was dramatic. Bengal revenues increased from a figure nearer £2 million in the last days of the Nawab to over £5 million 25 years after Company takeover. The increase was achieved not by making land produce more, but wholly by wresting more from the landlords.

The relationship between the state and the intermediate order cast a shadow on the formation of the army. The Indian armies were constituted of soldiers supplied by the holders of military-fiscal tenures, with a large number of irregulars among them. Such decentralization saved the king much money, but made three types of hazard more likely. First, the commanders tended to include spoils from predatory raids into their reward

57 Ibid., p. 16
structure, which made the level of war effort conditional upon the prospect of personal gain. Second, the coalitional nature of the large armies made command a difficult problem. The decentralized nature of the army could cause adverse chain reaction. When the chance of a defeat increased during a battle, factions left the battlefield increasing the likelihood of defeat. On one occasion when the divided command was to cause utter devastation, Panipat, the commanders had taken ‘no account of any troops but those immediately under their own.’ More generally, Maratha ‘Sirdars followed their own interests’, a historian of Maharashtra observed. Clearly, they needed to since they paid for their own troops. It was only on rare occasions that charismatic chiefs held disparate factions together. And their death led the whole army to slide back into chaos. This is what happened to the Sindhia army after the death of Mahadaji, and the Sikh army after Ranjit Singh. In both cases British victory in battlefield owed to factionalism. The Indian states’ attempts to induct Europeans created new conflicts of interest. The mixing of command structures and patterns with the induction of the Europeans left units confused and indecisive. The exit of Benoit de Boigne in 1795 weakened and divided military command in the Sindhia camp. The new General Pierre Cuillier-Perron was not trusted by the king, Daulatrao, and as it turned out a few years later, nor by many of the officers, Indian and European.

The third problem was posed by the irregulars. For an idea of the scale, at Panipat, irregulars outnumbered regular soldiers 4:1 in the Durrany camp, and irregulars and camp-followers outnumbered soldiers 8:1 in the Maratha camp. The loss of life on a genocidal scale at this battle had much to do with the preponderance of non-combatants and semi-combatants. The number of camp-followers was large in the Company’s army as well, but maintained a considerably smaller ratio, 3:1 according to a 1791 statement. Being responsible for their capital cost, irregular soldiers were risk-averse and could not be easily integrated into military strategy. Towards the end of the century, the most important group among Maratha irregulars were the _pendhary_ or Pindari, light cavalry who owned their horses and equipment, were not compensated if injured or suffered loss of horse, and therefore, felt no particular allegiance to any leader other than their own headmen.

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60 Nadkarni, _Rise and Fall_, p. 355.  
61 Ibid., p. 136.
peacetimes they pursued agriculture or other professions, during battles they were called in or joined on their own. There was a close association between conditions of agriculture and the incentive to join the irregular forces. ‘[T]he numbers of the Pindaries may be said to increase in the same ratio, as the means of subsistence diminish.’ For the main force, they had value in raiding campaigns. ‘In action, it was their custom immediately after the regulars had charged and broken the enemy, to fall upon them sword in hand, and complete the rout.’ But they could become a liability in a battle against a disciplined army.

The Pindaries were not popular with any of the major powers of the time. And yet, the logic of conflicts in the eighteenth century increased the supply of such soldiers to any new state that might wish to make use of them. Every military debacle released a large number of stragglers, deserters, and soldiers without command. Mercenary units that enlisted such people performed a significant column of support for the new armies raised. Mahadaji Sindhia recruited from the remnants of Panipat, Ranjit Singh from the remnants of Assaye and Laswari, and the Holkars from the disbanded soldiery of Awadh and Rohilkhand. Some of them were retrained and absorbed in the regular army, but many remained outside the core army. Tipu Sultan’s cavalry consisted of three units, the regulars (silahdars), the regulars who supplied their own horses, and kazzaks or predatory cavalry irregulars. The last formed the largest body. As military conflicts intensified, and states found their territorial control shrink, the dependence on irregulars became greater. In the final Anglo-Maratha wars, the northern Maratha armies relied mainly on the pindaries.

Whereas the Indian military enterprise was increasingly dependent upon what one historian calls ‘old feudal elements’, the Company could create a unidirectional command structure owing to its reliance on regular forces. More than the reliance on regular soldiers, the recruitment structure made a difference. The Company recruited its main

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body of soldiery from the Gangetic plains. At the time of the Anglo-Maratha wars, the Company did also recruit Rohilla and European mercenaries, but recruiting from other armies was not the preferred strategy. Brahmin and Rajput peasants recruited in Awadh and Benares formed the core of the standing army in Bengal. In Bombay a deliberate attempt was made to recruit down the caste hierarchy, and in Madras, no single community was allowed to dominate. In the major example of northern India, many of the recruits probably overlapped with the category of armed peasantry whose history Dirk Kolff has explored. But even if they did, the majority did not enjoy an entrenched position in a state army before joining Company’s service. Even the so-called upper caste Bhumihar Brahmins in Benares came from a milieu where their superior status had been disputed. Through carefully crafted social policies that maintained a caste hierarchy inside the barracks, the Bengal army managed to preserve a situation in which the soldiers felt that they enjoyed a higher status in the army than outside.

The Company could pursue this course thanks to its location near the coasts and the delta. Location translated into military advantage in a number of ways. The principal one, of course, was revenue per area. The Company also had access to a large body of urban skilled labour based in Bombay. At the time of the second Anglo-Maratha wars, at short notice, labour contractors and headmen could gather carpenters, loggers, and blacksmiths together, to build carriages for artillery. Parsi merchants took supply contracts for food. In turn, Bombay’s situation as a port made it possible for the merchants to import Bengal rice for the troops. Disputes over contracts between merchant-suppliers and the stores in-

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68 This part of the military strategy had been disputed by insiders for what they saw was a dangerous compromise of military order. After the Anglo-Burma wars of 1824-6 and a mutiny among Indian soldiers in Barrackpore in 1824, a disillusionment with the social policy set in; and reforms in the barracks gave up the privileging of Indian tradition in favour of hierarchy based on a mixture between military order and racist ideas. There were other factors that undermined the finely balanced caste system inside the barracks. The upper caste soldiery lost some of their status due to a fall in real wages, whereas in the Burma campaigns, low-caste recruits were paid higher wages. Douglas M. Peers, “The Habitual Nobility of Being”: British Officers and the Social Construction of the Bengal Army in the Early Nineteenth Century, Modern Asian Studies, 25(3), 1991, pp. 545-569.
charge did occur, but the form of a legal contract made such disputes in principle
negotiable by a third party. Most importantly, the Bengal army had a virtual monopoly of
saltpetre supplies and all three ports could cast cannons and iron implements on a larger
scale and in better quality than did the enemy forces. In short, access to the port cities with
a pool of industrial skills and commercial capital offset the disadvantage that distance from
the overland supply routes could cause.

These overland supply chains were in decay. The early eighteenth century Maratha
cavalry was legendary for its ability to subsist on little food. A few handfuls of millets
collected from cropped field en-route and consumed on horseback were all that the riders
lived on for days. Even if these reports were exaggerated, the small size of these bands
made supplies a less serious problem than was the case with the Mughal armies. However,
as the battles became bigger and the forces larger supplies were organized differently. The
overland supply system relied on Banjara bullock trains. The Banjara chieftains, according
to later English documents, had a special relationship of regard with the Marathas. The
system was slow, and with territorial losses, at increasing risk of interception. On several
occasions, beginning with Panipat, the Maratha troops were starving when real battle
commenced.

Conclusion

The paper illustrated three propositions that together should form a coherent
account of the conquest of India by the East India Company in the late eighteenth century.
First, of the contenders for hegemonic power, the Company alone managed to achieve
mutually reinforcing growth in wealth and power. Second, an enabling factor working in
their favour was a base in resource-rich Bengal and a tributary-cum-predatory relationship
with the second richest land, Awadh. Third, while playing the competitive game of judicious
predation, which all prominent military powers in this time played, the Company also
changed the rules of the game. It changed the equation between the state and the groups in
command of local power. It relied on their loyalty to a lesser extent than did the others, and
subdued them by a new instrument, the land market. At the same time, persistence with
shared sovereignty weakened the Indian states in the face of sustained conflict.
I conclude by returning to a global history question that this paper started from. Why did political competition empower states in early modern Europe, and dis-empower states in early modern India? Perhaps we need to understand the goals of competition and the means of competition differently in the Indian example. The goal of judicious predation by means of militaristic extortion became unsustainable when conflicts became long-term. The Company succeeded in adapting the means by wresting control of the fiscal order from former commanders and nobles, even as its Indian rivals persisted with the tradition of rewarding commanders and nobles with fiscal powers. As the divergence in means continued to grow, the goal before the Company changed from predation to imperialism.