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CAPITALISTS AND COMPANIES: MAKING STATES IN INDIA, 1700-1800

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## TABLE OF CONTENTS

LIST OF FIGURES	iv
LIST OF TABLES	v
LIST OF MAPS	vi
ACKNOWLEDGMENTS	vii
ABSTRACT	xi
GLOSSARY	xiii

### **Chapter 1: A Theory of Commercial Governors** **1**

<b>INTRODUCTION</b>	<b>1</b>
<b>DYNAMISM AND DECLINE IN EARLY MODERN INDIA</b>	<b>8</b>
<b>ARGUMENT: A THEORY OF COMMERCIAL GOVERNMENT</b>	<b>14</b>
CONCEPTS AND DEFINITIONS	17
SOCIAL RESOURCES AND THE PATH TO COMMERCIAL GOVERNING	19
<b>CASE SELECTION AND METHODOLOGY</b>	<b>23</b>
CASE SELECTION AND RESEARCH DESIGN	23
THE RISE OF EUROPEAN IMPERIALISM AND THE COMPARATIVE CASE DESIGN	27
SOURCES AND HISTORICAL METHODS	36
<b>ORGANIZATION OF THE DISSERTATION</b>	<b>39</b>

### **Chapter 2: Perspectives on Commerce and Capital in State Building** **41**

<b>INTRODUCTION</b>	<b>41</b>
<b>VIEWS ON THE HISTORIC DEVELOPMENT OF THE STATE</b>	<b>42</b>
<b>SOCIAL NETWORKS AND REGIME POLITICS IN STATE BUILDING</b>	<b>46</b>
SOCIOLOGY OF ECONOMIES AND STATES	46
REGIMES AND CAPITAL	48
SUMMARY	49
<b>PRIVATE GOVERNANCE AND WEAK STATES</b>	<b>50</b>
FIRMS AND THEIR PARTNERS	51
CRIMINAL ORGANIZATIONS AND OTHER RACKETEERS	54
SUMMARY	57
<b>CONCLUSION</b>	<b>59</b>

### **Chapter 3: Bengal's Princely Bankers, 1700-1757** **63**

<b>INTRODUCTION</b>	<b>63</b>
<b>SOCIAL REPERTOIRES OF A MERCHANT DIASPORA</b>	<b>66</b>
FAMILIAL AND IDEOLOGICAL REPERTOIRES	66
<b>THE BANKING HOUSE IN POLITICS</b>	<b>70</b>
SOCIAL AND RELIGIOUS RELATIONSHIPS	71
ADMINISTRATIVE RELATIONSHIPS	75
ECONOMIC RELATIONSHIPS	88
<b>CONCLUSION</b>	<b>95</b>
<b>A HISTORIOGRAPHICAL NOTE</b>	<b>98</b>

---

**Chapter 4: British Bombay and Surat in Transition, 1737-1782** **100**

<b>INTRODUCTION</b>	<b>100</b>
<b>SOCIAL REPERTOIRES OF A JOINT STOCK CORPORATION</b>	<b>104</b>
BUREAUCRATIC REPERTOIRES	104
IDEOLOGICAL REPERTOIRES	108
<b>THE COMPANY STATE IN BOMBAY</b>	<b>112</b>
MILITARY RELATIONSHIPS	114
ECONOMIC RELATIONSHIPS	121
ADMINISTRATIVE AND SOCIAL RELATIONSHIPS	128
<b>CONCLUSION</b>	<b>133</b>

---

**Chapter 5: Mysore's Merchant Sultans, 1760-1799** **134**

<b>INTRODUCTION</b>	<b>134</b>
<b>SOCIAL REPERTOIRES OF A TRADING DYNASTY</b>	<b>138</b>
FAMILIAL AND IDEOLOGICAL REPERTOIRES	138
BUREAUCRATIC REPERTOIRES	142
<b>TOWARDS A TRADING STATE</b>	<b>144</b>
MILITARY RELATIONSHIPS	146
ECONOMIC RELATIONSHIPS	156
ADMINISTRATIVE RELATIONSHIPS	166
SOCIAL AND RELIGIOUS RELATIONSHIPS	172
<b>CONCLUSION</b>	<b>175</b>
<b>A HISTORIOGRAPHICAL NOTE</b>	<b>178</b>

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**Conclusion: Political Monsters and Other Curiosities** **184**

BIBLIOGRAPHY	193
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## LIST OF FIGURES

FIGURE 1: PATH TO COMMERCIAL GOVERNING	17
FIGURE 2: MEASURING LEVEL OF OPENNESS	17
FIGURE 3: REVENUE REGULATION ARTICLES BY CATEGORY	169

## LIST OF TABLES

TABLE 1: COMPONENTS OF SOCIAL REPERTOIRES	21
TABLE 2: SUMMARY OF CASE FINDINGS	26
TABLE 3: EXISTING EXPLANATIONS OF THE ROLE OF CAPITALISTS IN STATE BUILDING	60
TABLE 4: SUMMARY OF FINDINGS (BENGAL)	65
TABLE 5: SUMMARY OF FINDINGS (BOMBAY AND SURAT)	103
TABLE 6: SUMMARY OF FINDINGS (MYSORE)	137

## LIST OF MAPS

MAP 1: INDIAN SUBCONTINENT AND POLITICAL CHANGE	7
MAP 2: MYSORE IN THE SEVENTEENTH AND EIGHTEENTH CENTURIES	134

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## ABSTRACT

### Capitalists and Companies: Making States in India, 1700-1800

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This dissertation asks why certain commercial organizations but not others become governors of territory and populations. In particular, it investigates what distinct advantages the East India Company possessed in becoming the governor of the Indian subcontinent. Existing explanations assume European superiority in military and fiscal practices, and therefore tend to situate answers to this question within the framework of global divergence in economic and political fortunes between East and West. In this formulation, the joint stock corporations that pioneered colonial conquest are thought to be mere extensions of their home states or symptomatic of more profound changes in the foundations of global economic and political relations. In contrast, I show that European mercantile companies faced rivals in Asia that were structurally similar to themselves in that they contained a portfolio of powers, including commercial, political, legal, and military prerogatives. Nevertheless, within the context of interstate warfare and stiff competition for resources, only some of these multifaceted commercial groups became governors and established their authority over populations, while others did not. Why was this the case? I argue that the success of groups as commercial governors depends on the social repertoires, including norms, codes of conduct, and internal relationships that characterize these groups. These social repertoires make groups more or less open to resource holders outside of the organization. Differential access to resource holders produces varying success for commercial organizations in the transition to rule. Through the development of a theory of governing by commercial actors and the case analysis, this dissertation makes two main contributions. The first contribution is to illuminate the distinct

process of state building specific to commercial actors and to think critically about how this process may or may not differ from the conventional wisdom regarding state building by dynastic monarchies or, alternatively, other non-state actors. Given the structure of the modern international system and the clear legal distinction between public and private, companies are rarely, if ever, considered legitimate sources of political authority. But work on corporations and politics in topic areas like post-conflict peace building, provision of public goods, and governance in areas of limited statehood have identified commercial groups as key actors. While referencing historic actors like the East India companies in mythological terms, these literatures rarely draw substantive connections between historic state building and modern governance by commercial actors. By focusing on domestic factors of political collaboration between commercial organizations and their constituents, I show what those general dynamics might be and how they can be used to explain governing by commercial actors across space and time. The second goal of the analysis is to provide at least a partial investigation of state building in early modern South Asia. Emerging work on state formation in South Asia has recognized that the conditions of interstate warfare there in the eighteenth century produced early forms of military-fiscalism. However, I show that this military fiscalism did not resemble what emerged in Europe or China because of the pervasive presence and political activity of commercial organizations. This dissertation concludes by considering what the possibilities of commercial governance are in the modern world and what the experience of South Asia in the eighteenth century can teach us about moments of rapid economic transformation and political innovation.

## GLOSSARY

Amil, or amildar	Financial administrator and revenue collector of a <i>pargana</i>
Asaf, asof, asoph	Civil governor of a province who oversaw revenue collection
Chauth	Annual tribute levied by Maratha Empire as tax revenue/protection money
Dadni system	Dadni was the advancing of money by merchants and brokers to artisans for the purchase of commodities of a pre-specified quantity or quality
Darbar	A ruler's court and/or the ritual appearance of the assembly at court
Divan/diwan	Fiscal governor of a Mughal province
Factory	A trading establishment of a European power
Farman	Mughal imperial edict, which usually bestowed rights on the holder
Faujdar	Mughal official in charge of local fort, castle, or garrison
Gumashta/gomashta	A merchant's agent with authorization to buy goods on behalf of the merchant
In'am/inam	Grant of rent free, or lightly taxed, land, usually given to religious establishments in Indo-Persian polities
Jagir	Land assignment with the right to collect revenue in lieu of a salary.
Jagirdar	Holder of such a land assignment
Kotwal	Mughal official who was usually head of the police
Latty	English custom-house at Surat
Malik ut-tijar/tujar	Head of a body of merchants
Mansab	A Mughal military and administrative ranking of a nobleman
Mansabdar	Holder of such a rank

Mutassadi	Mughal official governor of a town
Nawab	Title of a <i>de facto</i> independent provincial ruler. Plural of Arabic <i>naib</i> , or scribe/secretary.
Nazim	Political governor of a Mughal province
Panchayat	Village-level council that heard cases for adjudication
Pargana	Smallest administrative subdivision of a district
Peshwa	Maratha prime minister residing in Pune
Poligar	Anglicization of Tamil <i>palaiyykar</i> , or traditional landholder in South India
Qazi	Muslim judge with jurisdiction over implementation of shari'a law
Sarraf/shroff	Moneylender, changer, financial specialist in charge of bills of exchange
Sicca rupee	Silver rupee that was the main currency of Mughal India
Subah	General term for a province of Mughal India
Taqavi	Cash advance or loan by government to individual cultivators
Zamindar	Traditional landholder, applied to a variety of landholding classes in India

## CHAPTER ONE

### A Theory of Commercial Governors

#### Introduction

In the past decade, interest in the role of for-profit corporations as political actors has surged among scholars as well as the general public. In the wake of the Supreme Court's decision in *Citizens United v. FEC*, political and legal theorists have debated whether corporate personhood is a coherent legal category.<sup>1</sup> Some scholars and policymakers have considered the role of corporations in pressuring elected officials to adopt certain policy platforms or in spreading norms,<sup>2</sup> while others have looked at the role that corporations play in conflict resolution and peacebuilding.<sup>3</sup> Another line of inquiry has recovered the roots of the corporate form itself while considering whether the corporation constituted an alternate form of political organization that was discarded *en route* to the nation-state and its current monopoly on political life.<sup>4</sup>

Regardless of the lens adopted, however, a sentiment that government and corporation are more intertwined than ever pervades political discourse. This is especially said to be true in the developing world, where state-backed corporations and multinationals fill crucial gaps in governance by funding

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<sup>1</sup> David Ciepley, "Beyond Public and Private: Toward a Political Theory of the Corporation," *American Political Science Review* 107 (2013): 139-158; Teemu Ruskola, "What Is a Corporation? Liberal, Confucian, and Socialist Theories of Enterprise Organization (and State, Family, and Personhood)," *Seattle University Law Review* 37 (2014): 639-666; Turkuler Isiksel, "The Rights of Man and the Rights of the Man-Made: Corporations and Human Rights," *Human Rights Quarterly* 38 (2016): 294-349; Abraham A. Singer, "The Corporation as a Relational Entity," *Polity* 49 (2017): 328-351.

<sup>2</sup> Hevina S. Dashwood, *The Rise of Global Corporate Social Responsibility: Mining and the Spread of Global Norms*, (New York: Cambridge University Press, 2012); Lee Drutman, *The Business of America is Lobbying: How Corporations Became Politicized and Politics Became More Corporate*, (New York: Oxford University Press, 2015); Daniel Korschun, Anubhav Aggarwal, Hoori Rafieian, and Scott D. Swain, "Taking a Stand: Consumer Responses to Corporate Political Activism," *SSRN 2806476* (2016).

<sup>3</sup> Peter Davis, *Corporations, Global Governance and Post-Conflict Reconstruction*, (New York: Routledge, 2012); Jason Miklian and Peer Schouten, "Business for Peace: The New Paradigm of International Peacebuilding and Development," *SSRN 2538113* (2014); Timothy L. Fort, *The Diplomat in the Corner Office: Corporate Foreign Policy*, (Palo Alto: Stanford University Press, 2015.)

<sup>4</sup> Philip J. Stern, *The Company-State: Corporate Sovereignty and the Early Modern Foundations of the British Empire in India*, (New York: Oxford University Press, 2011); William A. Pettigrew, "Corporate Constitutionalism and the Dialogue Between the Global and Local in Seventeenth-Century English History," *Itinerario* 39 (2015): 487-501; Henry S. Turner, *The Corporate Commonwealth: Pluralism and Political Fictions in England, 1516-1651*, (Chicago: University of Chicago Press, 2016).

infrastructure projects and offering services that governments cannot. As one commentary put it: “Twenty years ago, as the state abandoned the commanding heights of the economy in the name of privatization and deregulation, it looked as if these public-private hybrids were doomed. Today they are flourishing in the emerging world’s dynamic economies and striding out onto the global stage.”<sup>5</sup> To the extent that this assessment is correct, it has troubling implications for the stability of governments and the accountability of regimes to their publics. The entanglement of capital in politics, and the phenomenon of the “revolving door” between business and government, seems to suggest that governments around the world may be permanently corrupted and that private interests can increasingly order government to suit their own profit margins.

Yet, history shows that private capital holders and the organizations they control have always been part of the state’s own governing apparatus. The close relationship between private actors and public authority has alternatively enabled and also curtailed the growth of modern fiscal states. In important instances, businesses and other commercial organizations have themselves been consequential governors in world history, sometimes fostering cultural and scientific growth, as in Medici Florence, and at other times stagnation and deindustrialization, as during the Company Raj in India. The historical record, therefore, gives us potentially conflicting and contradictory indications of what can occur when commercial actors are intimately tied to government, or, at the extreme, perform some or all of the governing tasks in a given territory.

Given that many sorts of individuals and groups become involved in commerce, and only few of those go on to play important roles in government, it is important to understand what makes the latter groups different from their peers. Why do some groups and not others successfully become commercial governors? Political science currently lacks a vocabulary and theoretical foundation for

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<sup>5</sup> “The Company that Ruled the Waves,” *The Economist*, (December 17, 2011), <https://www.economist.com/christmas-specials/2011/12/17/the-company-that-ruled-the-waves>.



understanding commercial actors as governors, which has hampered scholars' ability to answer these sorts of questions. As businesses and other for-profit actors increasingly take an active role in governing, especially in the developing world, this gap only increases in salience and urgency.

This dissertation builds on perspectives on state formation and private governance to consider the central question of why some actors with commercial roles are able to achieve prominent positions in government, construct administrative structures, or themselves govern whole territories. I argue that the success of groups that become commercial governors depends on the social relationships these groups possess. From their founding, commercial groups possess norms, features, and internal codes of conduct that make them more or less open to outsiders. As groups develop and grow, these initial social conditions produce differential success in obtaining crucial relationships with outside resource holders who can help pave the way into governing. I consider specifically the trajectories of groups that have a mix of commercial and political resources at their disposal and how those resources are used to enter formal governing roles or not. I thereby expand our understanding of the possibilities of commercial-political governing practices beyond wealthy corporate actors simply "buying" influence in government.

This argument is developed through the examination of three subnational cases drawn from the context of eighteenth-century India. Eighteenth century India is perhaps a paradigmatic context for assessing the success and failure of various sorts of commercial groups in gaining a foothold in government. During the eighteenth century, the subcontinent was thrown open to unusual political and economic experimentation because of the devolution of power from the imperial center in Delhi to the regional, provincial governments. Many of the provincial governments followed mercantilist policies common to regimes across Asia and Europe at the time, but many were also governed (or co-governed) by members of a rising and increasingly powerful capitalist class. Also, during this period various European East India Companies first gained powers of territorial administration in India,

allowing them to compete with other political actors in the business of policing populations as well as to take an active role in the high politics of diplomacy and war.

Eighteenth-century India provides, therefore, an unprecedented, highly diverse political ecology within which to compare differently constituted commercial governors and constitutes an ideal site for theory development.<sup>6</sup> Investigating the practices and successes of commercial groups in an early modern context also helps shed light on one of the most important and frequently cited instances of commercial governing in world history – the colonial regime constructed by the British East India Company.<sup>7</sup>

Through the development of a theory of governing by commercial actors and the case analysis, this dissertation makes two main contributions. The first contribution is to illuminate the distinct process of state building specific to commercial actors and to think critically about how this process may or may not differ from the conventional wisdom regarding state building by dynastic monarchies or, alternatively, other non-state actors. The second goal of the analysis is to provide preliminary investigation of state building in early modern South Asia.

First, an environment in which businesses and other commercial actors can become governors is not the usual setting in which we think about processes of state formation, although from a historical perspective these are precisely the sorts of complex environments that deserve analytical treatment by social scientists. Many individual works acknowledge the diversity of actors in the early modern world

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<sup>6</sup> For an explanation and theorization of India's diverse early modern political ecology, see: Andrew Phillips and J.C. Sharman, "Explaining Durable Diversity in International Systems: State, Company, and Empire in the Indian Ocean," *International Studies Quarterly* 59 (2015): 436-448.

<sup>7</sup> Recent titles on the British East India Company have given the Company mythic proportions, calling it the "corporation that changed the world" and the "world's most powerful corporation." See, Nick Robins, *The Corporation that Changed the World*, (Ann Arbor: Pluto Books, 2012) and Tirthankar Roy, *The East India Company: The World's Most Powerful Corporation*, (London: Penguin, 2016), respectively. In his recent work on the Company's early history in India, William Dalrymple describes the Company as "a model of commercial efficiency: one hundred years into its history, it had only thirty-five permanent employees in its head office. Nevertheless, that skeleton staff executed a corporate coup unparalleled in history: the military conquest, subjugation and plunder of vast tracts of southern Asia. It almost certainly remains the supreme act of corporate violence in world history." In *The Anarchy: The East India Company, Corporate Violence, and the Pillage of an Empire*, (London: Bloomsbury Publishing, 2019).

and try to compare their state building strategies, identities, functions, and structures<sup>8</sup>; however, we lack studies that harness such diversity to build new theories about varying organizational strategies of state building. The departure point for historical studies of state building remains the conventional organization we recognize as the monarchical or dynastic state that becomes a rationalized nation-state through the process of fighting wars and extracting capital.

In contrast to this approach, I hope to demonstrate that there is great analytical leverage to be gained by keeping variously organized actors separate and by considering them individually as dissimilar sorts of state builders with possible overlaps in strategies and practices. In particular, I consider three different types of commercial group – family firm, corporation, and state-owned enterprise. In addition, investigation of heterogeneous historical political ecologies can help us to think more critically about the landscapes we observe today, in which there may be a nominal separation of state and business in law and policy but close and complicated ties between public and private actors in practice.

Secondly, while studies of state formation have investigated important world regions like China, Latin America, Africa and Europe, little work has been done on South Asia. Emerging work on state formation in South Asia notes that periods of war between regions and provinces in India resembled similar periods of interstate warfare in Europe and China. As a result, many of the same consequences for state building, including the development of fiscal states and administrative bureaucracies, may have obtained for South Asian states prior to the advent of colonial rule.<sup>9</sup> However, confirming these

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<sup>8</sup> See, for example, Hendrik Spruyt, *The Sovereign State and its Competitors: An Analysis of Systems Change*, (Princeton: Princeton University Press, 1996); Janice E. Thomson, *Mercenaries, Pirates, and Sovereigns: State-Building and Extraterritorial Violence in Early Modern Europe*, (Princeton: Princeton University Press, 1996); Andrew Philips and Jason C. Sharman, *International Order in Diversity: War, Trade and Rule in the Indian Ocean*, (Cambridge: Cambridge University Press, 2015).

<sup>9</sup> Tirthankar Roy, “Rethinking the Origins of British India: State Formation and Military-Fiscal Undertakings in an Eighteenth Century World Region,” *Modern Asian Studies* 47 (2013): 1125-1156; Nikhar Gaikwad, “East India Companies and Long-Term Economic Change in India,” Working Paper (2014); Mark Dincecco, James Fenske, Anil Menon and Shivaji Mukherjee, “Pre-Colonial Warfare and Long-Run Development in India,” Centre for Competitive Advantage in the Global Economy, Working Paper Series, No. 426 (2019).

suspensions requires further historical investigation and greater attention to subnational, regional variation in the experience of war, bureaucratic centralization, fiscal development, and, as I show, the centrality of commercial governors. Therefore, this dissertation also contributes to the goal of developing a more robust and wide-ranging literature on South Asian state formation.

In the next section, I motivate the empirical intuitions behind the research question and explore many features of eighteenth-century South Asia that make it especially suited as a site for theory generation about commercial governors.

**India, 1700—1792.**

The map illustrates the political landscape of India during the 18th century. Key features include:

- Geographical Labels:** Surrounding regions like Kafiristan, Kashmir, China, Nepal, and Ceylon (Dutch). Major cities such as Delhi, Calcutta, Madras, and Bombay are marked.
- Territorial Divisions:** Numerous kingdoms and provinces are labeled, including the Marathas, Sikhs, and various British and French possessions.
- Legend:**
  - Approximate limit of the Mogul Empire in 1700:** Indicated by a dotted line.
  - Boundary of the French possessions:** Indicated by a solid line.
  - Boundary of the area more or less subject to French influence:** Indicated by a dashed line.
  - Acquisitions and Retentions:**
    - British acquisitions under Clive (1756-1765, 1765-1767): Light pink.
    - British acquisitions under Hastings (1772-1781): Medium pink.
    - British acquisitions under Cornwallis (1781-1783): Dark pink.
    - States under British protection in 1792: Yellow.
    - French possessions retained up to the present time: Light blue.
    - Portuguese possessions retained up to the present time: Light green.
- Scale:** 1:20,000,000.
- Map Details:** The map includes a grid of latitude and longitude, with the Tropic of Cancer and the Equator marked. It also shows the Bay of Bengal and the Indian Ocean.

- 7 -

## Dynamism and Decline in Early Modern India

Eighteenth-century India was a time of momentous political change, in which structural economic transformation was paired with domestic upheaval. The locus of global power was shifting from wealthy Asian countries heavily reliant on traditional sectors of the economy to emerging economies in Europe. Perhaps for these reasons, many observers of India at the time, as well as historians of later periods, view the eighteenth century there as a time of tumult and change, even perhaps as a time of regress.

With the death of its last strong emperor, Aurangzeb, in 1707, the Mughal Empire's fiscal administrative apparatus came to be secondary to the political factionalism of the court in Delhi. This served as a catalyst for many changes that would permanently alter the Indian political ecology within the subcontinent. At the same time, important changes in the structure of global capitalism and mercantile activity were exerting new pressures on political and commercial classes alike, requiring states from Europe to Asia to respond to protect their productive classes.<sup>10</sup>

Within India, transformations in global trade were accompanied by momentous political ruptures. The first big change was the growing independence of the erstwhile imperial administrative divisions, referred to as *subahs*. Governors of *subahs* like Awadh and Bengal became independent in all but name, controlling their own revenue administrations and forwarding revenue to the imperial treasury entirely at their own discretion as oversight from the central Mughal bureaucracy became increasingly tenuous. Further devastation followed as Delhi, the Mughal capital, and surrounding provinces were repeatedly plundered in expeditions led by Iranian ruler and leader, Nader Shah Afshar, in 1739, and his protegee and later Afghan ruler, Ahmad Shah Durrani, in multiple campaigns between 1748 and 1767. These

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<sup>10</sup> Prasannan Parthasarathi, *Why Europe Grew Rich and Asia Did Not: Global Economic Divergence, 1600-1850*, (New York: Cambridge University Press, 2011), 12-13.

expeditions eroded the monetary stability of the imperial regime, robbing the treasury of accumulated wealth as well as diminishing future tax receipts.<sup>11</sup>

Indian imperial challengers, like the Marathas to the southwest and the Sikhs in the northwest, also became existential threats to the Mughal political order, not only by catalyzing periods of upheaval that allowed regional states to break away but also by intermittently diminishing the symbolic authority and charisma of the Mughal emperor, which was largely responsible for holding the ruling classes in check.<sup>12</sup> Rulers in southern India, like the *nizām* of Hyderabad and the kings of Mysore, who had long been independent and only recently accepted nominal Mughal suzerainty, faced a different set of political challenges than the rulers of northern India. However, they were perhaps the first to experience the effects of increased European involvement in the subcontinent, especially through the medium of the Carnatic Wars, which were an instance of the broader global military competition between the British and the French.<sup>13</sup>

The breakup of the, albeit loosely, unified Mughal Empire into multiple regional states created unprecedented demand for the services of financiers who could help regional rulers obtain the monetary resources required to survive increased military competition. Regional assertiveness was therefore accompanied by the rise of classes that had previously been excluded from formal power. Many of these groups acted as brokers between regional powers in the process of becoming independent states and itinerant groups of traders, caste groups, and artisans who were critical to trade networks: “First there were the organisations of Indian traders and bankers who moved goods, grain and cash between the petty regimes. Secondly, were the lineages of administrative and military

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<sup>11</sup> Muzaffar Alam, *The Crisis of Empire in Mughal North India: Awadh and the Punjab, 1707-1748*, 2nd edition, (New Delhi: Oxford University Press, 2013), 51-53.

<sup>12</sup> C.A. Bayly, *Rulers, Townsmen, and Bazaars: North Indian Society in the Age of British Expansion, 1770-1870*, (New Delhi: Oxford University Press, 1998), 30-31; Alam, *Crisis of Empire*, lii-lvii.

<sup>13</sup> Sanjay Subrahmanyam, *Penumbral Visions: Making Politics in Early Modern South India*, (Ann Arbor: University of Michigan Press, 2001), 18-21.

personnel drawn largely from Muslim families but also from Hindu clerical castes who has mastered the use of the pen and the intricate system of Indo-Persian revenue management and court ritual. Thirdly, there were the networks of religious organisations which linked the shrines and schools of Indian Islam and the temples and pilgrimage centres of the Hindu population. All these groups contributed to the emergence of the regional and local regimes, but they also maintained a degree of independence and influence in relation to them.”<sup>14</sup>

The most important of these were the merchant traders and bankers who benefitted from increasing monetization of the Indian economy, allowing them to pull resources towards their own businesses and activities. Even before the fragmentation of Mughal authority, Indian merchants had been part of the broader mercantilist moment of the early modern world, which had its roots in the previous century. Some prominent merchants and their families exercised direct control over local economies and combined their commercial clout with direct governing control. For example, Virji Vorah, who was part of the Jain merchant community in Surat, acted as a lender to Europeans and the Mughal nobility alike. In his time, he was considered to be one of the richest men in the world, reputed to have enough wealth to buy and sell the European trading companies if he so wished.<sup>15</sup> Another example was that of Mir Muhammad Sayyid Ardestani, a Persian immigrant and horse trader who became a diamond miner in the famed Golconda sultanate. He used his financial gain in the diamond trade to become an officer in the Mughal treasury in Hyderabad, and by 1651, when the East India Company encountered him, they described him as the governor and military protector of all Golconda.<sup>16</sup>

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<sup>14</sup> Bayly, *Rulers, Townsmen, and Bazaars*, 36-37.

<sup>15</sup> Michael Pearson, *The Indian Ocean*, (New York: Routledge, 2003), 166; Ghulam Nadri, “The English and Dutch East India Companies and Indian Merchants in Surat in the Seventeenth and Eighteenth Centuries: Interdependence, Competition, and Contestation,” *The Dutch and English East India Companies: Diplomacy, Trade, and Violence in Early Modern Asia*, (Amsterdam University Press, 2018), 132-135.

<sup>16</sup> Sanjay Subrahmanyam and C.A. Bayly, “Portfolio Capitalists and the Political Economy of Early Modern India,” *Indian Economic and Social History Review* 25 (1988): 410-411.



Perhaps the most well-known example of a merchant group involved in the business of governing was that of the Jagat Seths in Bengal, sometimes referred to as “merchant princes.” They were a family of bankers and commodity merchants, part of a subcontinent spanning trade diaspora of Marwari merchants, who were granted monopoly control on the state mint for the province of Bengal in the mid eighteenth century. In this role, they were essentially the government’s bankers as well as a source of credit to others, earning vast sums through the profits they accrued on fees charged for exchanging currencies for European and other foreign traders. But they were also simultaneously private merchants, sitting at the apex of a hierarchy of Bengali and Bihari merchants involved in commodity trading in the region.<sup>17</sup>

Sanjay Subrahmanyam and C.A. Bayly have dubbed Indian actors like these “portfolio capitalists” – entrepreneurs who engaged in multiple revenue-producing activities simultaneously, including revenue farming, local trade in agricultural goods, trade in military resources, and even at times maritime trade. The eighteenth century’s rapid commercialization, due to an increase in available bullion and the emergence of financial markets, created an opening for these sorts of capitalists to become important political players.<sup>18</sup> As a result, capitalists were central to the process of state building in eighteenth century South Asia, as they not only acted as financiers of existing rulers but were themselves often governors in their own right, exercising both *de facto* and/or *de jure* power across the subcontinent.

Growth in the centrality of merchant capital provided European mercantile companies with openings to become more assertive in local politics, but this growing assertiveness went hand-in-hand with an abiding reliance on Indian merchant capital. Well into the nineteenth century, European

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<sup>17</sup> Sushil Chaudhury, “Merchants, Companies and Rulers: Bengal in the Eighteenth Century,” *Journal of the Economic and Social History of the Orient* 31 (1988): 74-109.

<sup>18</sup> C.A. Bayly, *Indian Society and the Making of the British Empire*, (Cambridge: Cambridge University Press, 2005 [1988]), 9-11; David Washbrook, “India in the Early Modern World Economy: Modes of Production, Reproduction, and Exchange,” *Journal of Global History* 2 (2007): 96-97.

expansion in South and Southeast Asia was predicated on the availability of indigenous credit.<sup>19</sup> However, this reliance on existing economic networks was not matched by dependence on the political system. Once contained by treaty and the threat of military action by Mughal governors and commanders, European companies saw the decline of the Mughal center in the eighteenth century as an opportunity for the expansion of their own power through sometimes violent renegotiation of their position with local and regional governors and princes.

Key to this process was Indian capital. Indian merchants and financiers connected European factory towns to the hinterland trade in commodities and money exchange, and European mercantile companies were heavily dependent on indigenous merchant and financial houses.<sup>20</sup> Capital held by not only the largest merchant houses but also intermediary Indian traders flowed into loans to the European companies, especially the British East India Company, even into the nineteenth century: “The Company commercial agents who purchased cloth and saltpetre at Patna or sugar and cloth at Ghazipur were as indebted to them [Hindustani banking houses] for the supply of ready money as the first generation of revenue officers. The situation did not become much easier even when formal British control of the region was asserted.”<sup>21</sup> In addition, Indian weavers and small merchants acted as agents, purchasers, and commissaries for British ships. In Madras and Surat, Indians staffed European offices and Europeans took part in the power struggles of Indian elites. This dynamic was replicated not just in the wealthy trade entrepôts of Bengal and Gujarat, where European presence was largest, but also across the north and south of the subcontinent. In the eighteenth century, Indian

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<sup>19</sup> Bayly, *Indian Society*, 68-73.

<sup>20</sup> This is the insight of a generation of scholarship by historians of Indian trade. See, P.J. Marshall, *East Indian Fortunes: The British in Bengal in the Eighteenth Century*, (Oxford: Clarendon Press, 1976); Holden Furber, *Rival Empires of Trade in the Orient, 1600-1800*, (Minneapolis: University of Minnesota Press, 1976); Ashin Das Gupta, *Indian Merchants and the Decline of Surat: 1700-1750*, (Wiesbaden: Steiner, 1979), Om Prakash, *The Dutch East India Company and the Economy of Bengal, 1630-1720*, (Princeton: Princeton University Press, 1985); Sinnapah Arasaratnam, *Merchants, Companies, and Commerce on the Coromandel Coast, 1650-1740*, (New Delhi: Oxford University Press, 1986); Bayly, *Rulers, Townsmen, and Bazaars*, (1988).

<sup>21</sup> Bayly, *Rulers*, 281.

traders and brokers flocked to European factory cities, which grew rapidly and displaced traditional Mughal cities as the centers of new economic activity and urbanization.

As ongoing warfare between powers like the Mughals, Marathas, and regional rulers destabilized commercial activity, various European companies also became attractive potential protectors of the merchant classes and enforcers of order. For example, at roughly the same time that the British were taking control of the tax administration of Bengal, merchant communities on the opposite side of the country openly encouraged the British factors in Surat (Gujarat) to take possession of the local castle and the walled city that surrounded it: “The diplomatic success the English factors enjoyed vis-a-vis the ruling administration in safeguarding the position and privileges of the Bania merchants enjoying Company protection, and the possibility of resuming commercial activity from Bombay, reconfirmed the Banias’ confidence in the English connection. The *shroffs* [moneylenders] of Surat city took the initiative in 1758 and openly urged the Surat factors to take over command of the Castle and office of the *qiladar* [fort keeper] and thereby neutralize the powers of the ruling Muslim elite and the inquisitive Marathas.”<sup>22</sup> The connections that Europeans established with these merchant communities also helped them finance inter-Company disputes, as occurred between the Dutch, British, and Portuguese on numerous occasions.<sup>23</sup>

As a result, the capitalist class of eighteenth-century India was critical to ushering in the transition from rule by regional governors and the surviving Mughal imperial class to rule by the East India Company. In addition, by inserting themselves into the business of governing, Indian portfolio capitalists created new structures of rule, in which traditional political and military institutions were paired with the resources of merchant elites. This created an incredibly fluid and flexible ecology of commercial-political actors, an environment in which the European mercantile companies fit well,

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<sup>22</sup> Lakshmi Subramanian, “Banias and the British: The Role of Indigenous Credit in the Process of Imperial Expansion in Western India in the Second Half of the Eighteenth Century,” *Modern Asian Studies* 21 (1987): 483.

<sup>23</sup> Nadri, “English and Dutch East India Companies,” 138, 143.

rather than being anomalous aberrations, as European observers increasingly saw them. The Indian political landscape was one in which commercial governors with the right sets of resources and opportunities could grow rapidly and eclipse rivals.

This raises the central question of what mix of resources and opportunities allow some commercial organizations to rise to the very highest levels of political authority, as the British East India Company did when it became the *de facto* ruler of the subcontinent in the early nineteenth century. Even when relying on the same pools of resources, such as military labor, credit, legal authorities, etc., why do some commercial governors succeed where others do not?

### **Argument: A Theory of Commercial Government**

The central claim of this project is that the social relationships of a commercial organization affects its ability to become a commercial governor. This argument arises out of an observation that many private actors that collaborate with governments in providing key governing functions have often been constituted in non-corporate forms, including families, extended kin groups, administrative departments, armed groups, and so forth. Because private actors come in so many varieties, and their underlying social relationships differ considerably between groups, research on private groups should focus on their internal, relational characteristics. I call this collection of internal resources a group's "social repertoire," and via comparison, I consider how these repertoires differ from group to group, creating varying capacity for obtaining relationships with outsiders that pave the way towards governing.

This argument aligns closely with work on the emergence and maintenance of trust in groups and networks and the role that social logics play in governance and state building.<sup>24</sup> While others have not

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<sup>24</sup> Charles Tilly, *Trust and Rule*, (New York: Cambridge University Press, 2005).

used the language of social repertoires that I use here, or exclusively considered commercial actors as a category of actor, they describe many of the same dynamics. In a familiar example, in places where kin groups, like dynastic groups, have extended their authority as governors, personal or familial structures have mediated the entirety of the governing apparatus in a variety of ways, including “personal ties between ruler and officeholders, private appropriation of office by agents who owe their power to the ruler, administration and army as personal belongings of the ruler, lack of formal accountability, claims to abide by tradition, reliance on kinship networks, patron-client relations, and decentralization.”<sup>25</sup>

In another well-known example, work on the *Lex Mercatoria* (Law Merchant) demonstrates that the formal institutions that evolved in medieval Europe to fine and punish errant merchants were premised on making a social reputation mechanism function effectively to provide a way of disseminating information about an individual merchant’s trustworthiness. This in turn relied on the idea that reputations could be widely known and observed within extended kin groups: “if the relationship itself is a valuable asset that a party could lose by dishonest behavior, then the relationship serves as a bond: a trader would be unwilling to surrender this bond unless the gain from dishonest behavior was large.”<sup>26</sup>

In a more surprising example, radical religious groups have been found to be especially good at mobilizing for violence and organizing for administration because of strong traditions of mutual aid as well as investment in a series of costly signals, like enforcing certain dress and appearance codes or

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<sup>25</sup> Mounira M. Charrad, “Central and Local Patrimonialism: State-Building in Kin-Based Societies,” *Annals of the American Academy of Political and Social Sciences* 636 (2011): 51-52.

<sup>26</sup> Paul R. Milgrom, Douglass C. North, and Barry R. Weingast, “The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs,” in *Economics and Politics* 2 (1990): 243-245. Also see Avner Greif, “The Study of Organizations and Evolving Organizational Forms through History: Reflections from the Late Medieval Family Firm,” *Industrial and Corporate Change* 5 (1996): 473-501.

the performance of certain rituals, which make it more difficult for group members to exit and return to broader society.<sup>27</sup>

In a historical example pertinent to this dissertation, European joint stock companies of the early modern period employed different interpersonal and contractual tactics to rein in unproductive behavior by their agents abroad in Asia. Sometimes, shirking or private gain were tolerated informally in the company culture, while in other scenarios, more coercive, hierarchical tactics were used to enforce agent compliance.<sup>28</sup>

As these varied examples show, organizations differ, therefore, not only in their original aims but also in the internal resources they possess to achieve those goals. I first define the key concepts in this argument. I then elaborate the logic of the argument.

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<sup>27</sup> Eli Berman, *Radical, Religious, and Violent: The New Economics of Terrorism*, (Cambridge: MIT Press, 2011).

<sup>28</sup> Ann M. Carlos and Stephen Nicholas, "Agency Problems in Early Chartered Companies: The Case of the Hudson's Bay Company," *Journal of Economic History* (1990): 853-75; Julia Adams, "Principals and Agents, Colonialists and Company Men: The Decay of Colonial Control in the Dutch East Indies," *American Sociological Review* 61 (1996): 12-28; Santhi Hejeebu, "Contract Enforcement in the English East India Company," *Journal of Economic History* 65 (2005): 496-523.

Figure 1: Path to Commercial Governing

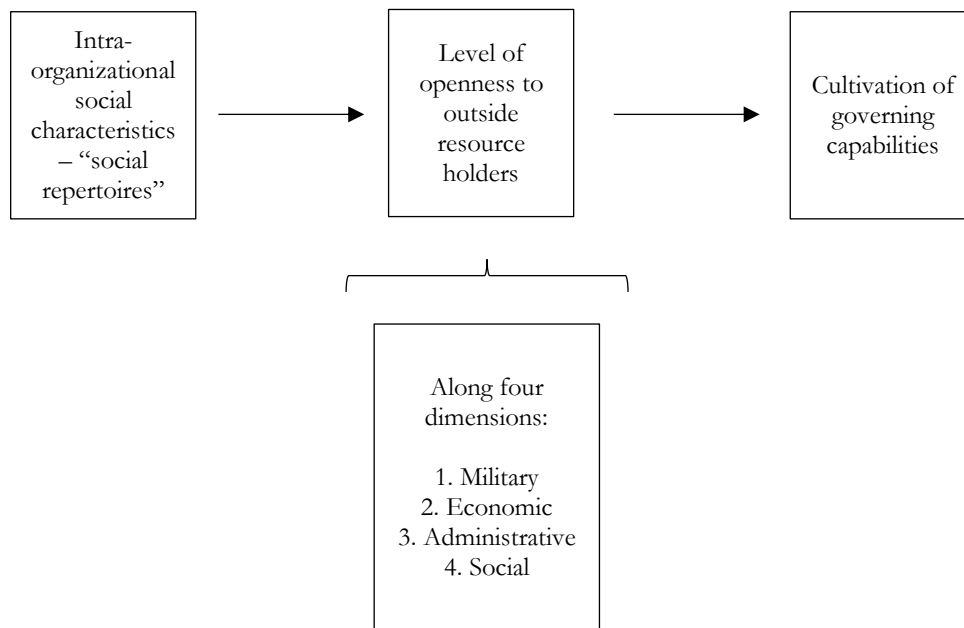
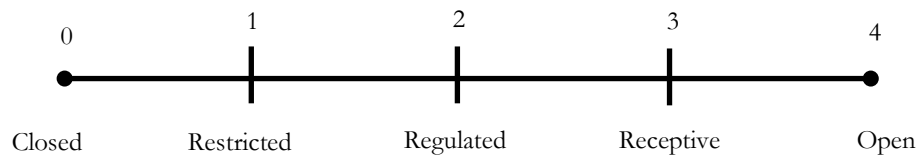


Figure 2: Measuring Level of Openness



### Concepts and Definitions

I define a commercial governor as an organization with an identifiable territorial remit which derives its revenue *both* from taxation *and* from its proprietary business activities. For the purposes of this project, an organization is conceived of as a group with “a set of stable social relations deliberately created, with the explicit intention of continuously accomplishing some specific goals or purposes.”<sup>29</sup>

<sup>29</sup> Arthur L. Stinchcombe, “Social Structure and Organizations,” in Joel A.C. Baum and Frank Dobbin, eds., *Economics*

In this case, the “specific goal” is both profit-driven commerce and administration of populations, especially through the collection of tax revenue, fees, tribute payments, and other forms of political “protection” money. Throughout, I use commercial governor to refer to the actor that possesses both political and commercial roles, while I use commercial actor and commercial organization interchangeably to refer to a business entity on its own. Firm, corporation, and business are all used in their usual sense.

Note that in defining a commercial governor in this manner, I am assuming that the relevant actor either possesses governing authority first and then establishes a commercial organization under the aegis of the government (like many state-owned enterprises), or begins as a business and then moves into governing activities (like some corporations in the developing world today.) The direction of transition from one sphere to the other is unimportant for the argument, as the same logic of social foundations should obtain either way.

By “social repertoires” I mean the entire set of assets, strategies, and practices available to a group because of how its members relate to one another socially, whether as kin, strangers, countrymen, colleagues, etc. I also use “traits” or “characteristics” to refer to this feature of organizational life. This repertoire conditions how differently organized actors relate to outsiders and how they pursue both social and business relationships, which may, importantly, overlap. For example, a family firm may find it easier to build business ties through marriage or to couch employment of strangers in affective registers. In contrast, a corporation may find it expedient to use contractual methods to secure loyalty of employees or to purchase the cooperation of important partners. A more detailed examination follows in the next section.

By “openness,” I mean the ease of access and exchange that exists between a group and outside resource holders. I measure this along a five-point scale, from 0 to 4, allowing for actors to sit anywhere

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*Meets Sociology in Strategic Management*, (Emerald Group Publishing, 2000), 229-259.



on the scale. A “0” score indicates that on the four dimensions of relationships measured, including military, economic, administrative, and social/religious, a group does not possess relationships on any dimension. A score of “4,” in contrast, indicates that a group possesses relationships on all four dimensions. Therefore, unlike existing concepts of group openness, the scale allows one to determine a group’s level of openness empirically rather than theoretically.<sup>30</sup>

### *Social Resources and the Path to Commercial Governing*

I argue that capabilities that can be used in the service of governing arise out of a group’s social foundations. These act as determinants of a group’s openness to outsiders, which in turn affects their ability to obtain crucial relationships with soldiers, mercenaries, traders, commodity manufacturers, and others who connect organizations to the material resources required to become commercial governors and carry out administration and trade. The intuition underlying this argument is that both governing and commerce are fundamentally social enterprises and cannot be accomplished without significant exchange between those in power and society at large. The extent and quality of this exchange can itself affect the success of a state and/or regime.

In general, organizations with higher levels of openness to outsiders are best suited to obtain crucial resources and alliances that help them expand into governing roles. A role in governing may be intentional, because the organization actively seeks out a more active role in administration through its partnerships, or unintentional, because the group’s openness embroils them in commitments that

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<sup>30</sup> Douglass C. North, John Joseph Wallis, and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, (New York: Cambridge University Press, 2009). The authors argue that the move from pre-modern to modern politics is characterized by a move from limited access orders, in which status-based, personal considerations predominate, to open-access orders, in which role-based, impersonal considerations predominate. The latter sort of polity is open to outsiders, institutions are impartial, and market exchange is open to all. This theoretical categorization, however, fails to capture important variation between social orders across time and recapitulates an older preoccupation with “Eastern” irrational forms of sociality and authority and “Western” rational forms of sociality and authority. For a balanced critique, see Robert Bates, “A Review of Douglass C. North, John Joseph Wallis, and Barry R. Weingast’s *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*,” *Journal of Economic Literature* 48 (2010): 752-56.

force them to take a more active role in governing. I do not attempt to theorize an organization's intentions because the social resources the group possesses place prior constraints on an organization, regardless of its stated goals.

I further argue that many of these social foundations cluster according to group type – familial, ideological, or bureaucratic.<sup>31</sup> While most actual organizations exhibit mixed social logics, and therefore can draw on many different identities simultaneously, many still have a core cluster that makes their organization identifiably different from others. In the table below, I group and label various types of social characteristics as they emerge in particular kinds of commercial groups. I classify groups as familial if group members relate to one another through kinship, “fictive” kin relations, or friendship; ideological if group members understand one another as engaged in the same ideological projects or part of “imagined communities” of various types; and bureaucratic, if group members are largely unrelated and understand each other through role and function.

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<sup>31</sup> These are derived from Max Weber's discussion of forms of authority but do not correspond exactly. See Max Weber, *The Theory of Social and Economic Organization*, trans. A.M. Henderson and Talcott Parsons, (New York: Oxford University Press, 1947), 325, 328. In his own discussion, Weber notes: “In the case of legal authority, obedience is owed to the legally established impersonal order. It extends to the persons exercising the authority of office under it only by virtue of the formal legality of their commands and only within the scope of authority of the office. In the case of traditional authority, obedience is owed to the *person* of the chief who occupies the traditionally sanctioned position of authority and who is (within its sphere) bound by tradition. But here the obligation of obedience is not based on the impersonal order but is a matter of personal loyalty within the area of accustomed obligations.”

Table 1: Components of Social Repertoires

Group type	Relational/ social content	Surveillance tools	Commitment tools	Rewards to individual members	Accessibility?
<b>Familial</b>	Kinship, friendship, and/or fictive kinship	Reputation, loss of relationships, social censure	Blood bonds, marriage, mutual aid	Inheritance, familial status, cohesive network	Lower
<b>Ideological</b>	Status-based relationships, religious or social identities	Coercion, social censure, exile and excommunication	Indoctrination, education, mutual aid	Prestige, in-group privileges, expansive network	Higher
<b>Bureaucratic</b>	Functional relationships, contractual obligations	Loss of compensation, demotion or replacement	Profit-sharing, mission statements	Promotion, functional independence	Highest

*Surveillance tools* refers to the sorts of concrete tools that individuals in the group can employ against co-members to effect punishment for transgressions. *Commitment tools* refers to the concrete ways in which loyalty to the material aims and cultural norms of a group are engendered. *Rewards to individual members* refers to the resources group members gain through their association with the organization and through consistent performance of their duties. In the last column, I consider how these various dimensions of social life within a group add up to making a particular organization more or less accessible to outsiders. Taken together, these three areas constitute a group's social repertoire. *Accessibility* therefore refers to a subjective and relative judgment of the level of difficulty involved in bringing outsiders into the projects and goals of the organization based on each type's social characteristics. Groups seeking to escape the constraints placed on them by their social repertoires,

therefore, must expend a good deal of effort in dampening the effects of certain behaviors and practices or in cultivating alternative repertoires.

The table describes ideal types. Most organizations, including the ones considered in this dissertation, exhibit mixed social qualities. In general, however, I find groups with the highest openness to outsiders prove the most adept at securing the relationships with outsiders that they need not only to survive but also to grow in their functions and responsibilities.

Note that this finding does not carry any prescriptive judgment – I do not argue that it is an unqualified “good” to be more open to relationships with outsiders. Indeed, such relationships may be detrimental or antithetical to group goals. Commercial groups employ certain strategies of social control in order to solve problems internal to their organizations, but these strategies may have unintended external consequences within the environments in which they operate. Social practices and norms within a group may especially have unintended consequences for members’ relationships with outsiders. For example, organizations open to many and nimble at forging relationships may find that they possess an extraordinary variety of resources, but they may also become overstretched and incapable of reining in destructive elements within their organizations. On the other hand, commercial groups that are relatively insular may be very cohesive and effective due to their small size and commonality of purpose, but they may also struggle to build the relationships and alliances they need to survive or expand. As a result, groups need not be intentionally seeking out governing roles in order to become governors – this may occur simply as a consequence of their other activities.

## **Case Selection and Methodology**

### *Case Selection and Research Design*

To test the argument advanced here, I investigate the cases of three Indian states – Bengal, Bombay, and Mysore – all of which contained important commercial groups with incipient or established

political ambitions. This selection investigates the three most common forms of commercial-political combinations that have emerged time and again in history – merchant diasporas and their family firms, corporations, and state enterprises. It also allows me to critically investigate the claim that it was the hybrid quality of European joint stock companies, as both corporations and arms of the state simultaneously, that gave them an advantage in expanding their governing functions.<sup>32</sup> The subnational case selection also helps clarify how experiences of economic change and political competition vary within large countries.

Subnational case designs are increasingly popular as a way of homing in on discrepancies between regions of a single country.<sup>33</sup> This type of research design has a few advantages. First, it locates analysis at the relevant level. In the Indian context, as in other countries with histories of being divided into imperial provinces or federal units, momentous political events have often occurred at the provincial level rather than the national level. This is because provincial or state-level governments have historically exerted much more influence on the development of their regions than central governments in such countries.<sup>34</sup> This is especially true in the time and context that this project considers. Second, subnational designs help illuminate how smaller units within countries may be appropriate for analysis alongside similar regions in other parts of the world. At times, regions *within* different countries have much more in common with each other than the broader country contexts have with one another. This also helps avoid pitfalls like comparing large countries with small ones or

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<sup>32</sup> This claim is advanced both implicitly and explicitly in various historical treatments and can be found in the following as well: Phillips and Sharman, *International Order in Diversity*, 102-136; Stern, *The Company State*, 3-15; Siraj Ahmed, *The Stillbirth of Capital*, (Stanford: Stanford University Press, 2012), 1-21.

<sup>33</sup> Agustina Giraudy, Eduardo Moncada, and Richard Snyder, eds., *Inside Countries: Subnational Research in Comparative Politics*, (New York: Cambridge University Press, 2019).

<sup>34</sup> Manu Goswami, *Producing India: From Colonial Economy to National Space*, (Delhi: Orient Blackswan, 2004) and Perna Singh, *How Solidarity Works for Welfare: Subnationalism and Social Development in India*, (New York: Cambridge University Press, 2015).

comparing countries with a high degree of internal variation with countries that have had largely homogenous political experiences within their borders.<sup>35</sup>

Accordingly, I choose actors emerging from within three subnational units in the Indian context that have all been shown to have possessed proto-industrial qualities. In Bengal, I consider the family firm of the Jagat Seths between 1700 and 1763, when they acted as state treasurers as well as brokers for European companies given their role in a dense network of commodity merchants. As a family firm embedded in strong kin networks, their organization exhibited mostly familial social logics with important ideological dimensions that arose out of their religious affiliations.

The second case is that of the East India Company, considering its establishments both in Bombay, which was one of three governing seats of the British East India Company, and Surat, the port from which they conducted trade on the west coast. I focus on Bombay's relations with financiers and rival powers between 1737 and 1783 as they transitioned from a strictly merchant enterprise to a government. As a joint stock company, the East India Company mostly exhibited bureaucratic social logics while also maintaining a strong commitment to certain ideological goals, born of its contrary internal constitution.

Finally, in Mysore, modernizing rulers Haider Ali and Tipu Sultan became *de facto* rulers and established a state-run trading enterprise between 1761 and 1799 that they hoped would become a competitor to the European joint stock companies. This included the establishment of foreign factories around the Indian Ocean littoral, similar to the British, Dutch, and French factories of their time. As aspiring dynasts who established a state trading enterprise, their commercial organization contained elements of all three social logics.

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<sup>35</sup> See, for example, the research strategies employed in two excellent histories of the “great divergence:” Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy*, (Princeton: Princeton University Press, 2000) and Kaveh Yazdani, *India, Modernity and the Great Divergence: Mysore and Gujarat (17<sup>th</sup> to 19<sup>th</sup> C.)*, (Leiden: Brill, 2017).

The research design also takes advantage of the fact that emergent rulers in the eighteenth century were “successors” to the Mughal imperial state. As a result, the economic relationships between governors and elites, as well as the land revenue systems, were systematic across India. Where innovations were introduced, such as the ones implemented by the Maratha *peshwas* or Tipu Sultan in Mysore, it is easy to mark them as departures from or improvements of the existing system. Because the legacy of Mughal rule set up procedures for safer travel and standardization of bureaucratic functions across cities and towns, financiers that lent money to rulers could confidently conduct business across the country through their kinship networks, using bills of exchange and the *hundi* system, which was a way of remitting money through written orders that relied on the personal creditworthiness of the underwriter. These features of Indian economic and social relations allow me to assume that emergent rulers could expect to have a set of generally similar relations with landed elites, financiers, and subject populations.

In the table below, I summarize the findings from the cases.

Table 2: Summary of Case Findings

Organization	Social repertoires	Domestic relationships with outside resource holders?				Overall openness	Commercial governor?
		Military	Economic	Adminis- trative	Social & Religious		
<i>Jagat Seth banking house</i>	Familial; Ideological	Weak (0)	Moderate (0.5)	Strong (1)	Weak (0)	Restricted (1.5)	<b>NO</b>
<i>British East India Company</i>	Bureaucratic; Ideological	Moderate (0.5)	Strong (1)	Strong (1)	Moderate (0.5)	Receptive (3)	<b>YES</b>
<i>Dynastic household of Haider Ali and Tipu Sultan</i>	Familial; Ideological; Bureaucratic	Strong (1)	Weak (0)	Moderate (0.5)	Moderate (0.5)	Regulated (2)	<b>YES (short- lived)</b>

Variation between these three cases allows me to trace distinct processes that shaped governors' interactions with their environments and their relative success at achieving their economic and political aims. Within each case study, I look at the process of obtaining relationships with outside resource holders in each of the four categories listed above. Therefore, the empirical strategy employed here compares processes rather than engaging in controlled case comparisons, a methodology that has been



called the comparative sequential method. The key to this strategy of case comparison is to pay attention to the sequencing of events in distinct, and perhaps unlike, processes.<sup>36</sup>

While each case can be compared against the other as examples of different sorts of commercial governor, when the case chapters are read together, they provide a chronology of the rise of the East India Company as the dominant power in the subcontinent. They also help address specific explanations of eighteenth-century Indian statecraft which have been taken up in the historiographical literature in order to explain the survival or demise of particular Indian states but that have not been put into conversation with one another. The comparison I undertake therefore not only allows me to take advantage of a competitive geopolitical environment to isolate how different commercial governing arrangements responded to the pressure to build economic and political relationships with elites when the stakes of failing to do so were very high. The momentous nature of this period of Indian history means that even small changes in choices made by governors mattered greatly.

### *The Rise of European Imperialism and the Comparative Case Design*

In India during the eighteenth century, the British East India Company maintained three separate entrepôts in Bombay, Madras, and Calcutta. For most of the eighteenth century, until the 1770's, Madras (established 1640) was the largest and most important of these port cities, followed by Bombay (established 1687), and then Calcutta, which was the last to be established in 1690 due to the dominance of the Dutch in the Bengal trade during the seventeenth century and the stronger regulatory powers of the Mughal imperial state in North India. Despite Calcutta's late establishment, it rose rapidly to ascendance over the other two settlements due to the Company's early overthrow of Bengal's *nawab* in 1757.

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<sup>36</sup> Tula G. Falleti and James Mahoney, "The Comparative Sequential Method," in *Advances in Comparative-Historical Analysis*, eds. James Mahoney and Kathleen Thelen, (New York: Cambridge University Press, 2015), 211-239.

While the Company itself was one entity, its presence in India was decentralized across these three port cities, each of which had its own governor (later president) and council who were responsible for making the trading and political decisions for the settlement. Each city acted independently to secure the interests of the traders and employees who were stationed there, which led to competition between the three and the prioritization of local interests over the Company's country-wide interests. The distances between each region in which the three settlements were located led to stark differences in regulatory environments as well – for example, while the Company could maintain a mint at Madras, it struggled to establish one in Bombay due to the lack of prior infrastructure, and was prohibited from enjoying mint privileges in Calcutta, or in Bengal more generally.

This meant that until 1772, when Calcutta became the head of the three settlements, each city had its own set of distinct challenges and rivals, some of which came into conflict with one another and led to different priorities. Unlike most extant analyses, therefore, I treat the Company in India as an *Indian* ruler, not simply as an extension of the metropole. This is because the East India Company was not accountable to London to the same extent that it was immediately accountable to Indian allies and elites; it was financially and structurally too large to be properly regulated at home until communications technology and strategies of control in India improved; and it participated actively within the existing Indian political system.<sup>37</sup>

This methodological choice requires some justification. After all, the European mercantile companies were perhaps the most powerful agents of colonial conquest. They were not, therefore, necessarily comparable to their peers in Asia, possessing as they did the backing of global capital flows that spanned trading networks from North America to Asia. In addition, many historians have attributed to the British, in particular, powers of economic and political organization that were not

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<sup>37</sup> Robins, *The Corporation that Changed the World*, 25-29; Rajat Kanta Ray, "Indian Society and the Establishment of British Supremacy, 1765-1818," in *The Oxford History of the British Empire*, Volume II, ed. P.J. Marshall (London: Oxford University Press, 2001), 508-529.

matched by their Indian rivals. For example, David Washbrook notes that Indian capital moved towards Europeans “who had already evolved more coherent methods of putting money and political power together.”<sup>38</sup> Similarly, economic historian Tirthankar Roy has noted that British methods of military-fiscalism were more robust than those of their Indian rivals, relying as they did on European concepts of property rights that did not, and perhaps could not, exist in India. He writes that in the short term, Indian rulers and the East India Company adopted similar strategies regarding the rationalization of fiscal bureaucratic practices and extortion of “protection money” from peripheral populations, but that in the long run, “sustainability of the military-fiscal enterprise depended on consolidation alone, because extortion only generated more conflicts. The Company’s success in consolidation was due to its use of private property in land as an instrument to extract compliance from the landlords. In turn, this choice was an effect of its outsider status. 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.”<sup>39</sup> Roy’s analysis largely fits my intuitions that organizations’ social repertoires matter deeply for the sorts of relationships they are able to sustain, but the political economy explanations of British ascendancy in India as a whole deserve closer scrutiny.

The focus on economic organization and military fiscalism, present in the works of historians like Muzaffar Alam, C.A. Bayly, K.N. Chaudhuri, Sushil Chaudhury, Tirthankar Roy, Burton Stein, Lakshmi Subramanian, David Washbrook, and others, has arisen as a way of filling a gap between conventional explanations for the East India Company’s relatively rapid conquest of the subcontinent and the reality of eighteenth-century politics. It has been increasingly recognized that conventional explanations relying on military and technological superiority or grand strategy are untenable given

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<sup>38</sup> David Washbrook, “India in the Early Modern World Economy: Modes of Production, Reproduction and Exchange,” *Journal of Global History* 2 (2007): 107.

<sup>39</sup> Tirthankar Roy, “Rethinking the Origins of British India: State Formation and Military-fiscal Undertakings in an Eighteenth-Century World Region,” *Modern Asian Studies* 47 (2013): 1132.

that there was convergence in military methods, similar alliance-seeking behavior, and sophistication of military technology on the part of both Indian states and European company-states in the period.<sup>40</sup>

Instead, many influential historians of eighteenth-century India have arrived at the view that merchant capital within India was critical to the long-term success of various rulers and that rulers who could obtain capital and good relationships with capitalists had a decisive advantage in maintaining armies, fortifying cities and castles, and moving and exchanging coin. This finding supports the long-established view in political science that the exigencies of war require that rulers seek out capital to finance the maintenance of armies, either through coercion or negotiation. In a pithy summary, historian Rajat Kanta Ray writes: “Whichever power could produce a clear surplus out of its revenue resources, and thereby persuade the *sabukars* and *shroffs* to transfer money to the theatres of war, would be likely to have an edge over its contenders at a time when money was tight, and the only means of transferring credit for hungry troops across hostile borders were the *bundis* offered by the private bankers.” As a result, the East India Company’s key tactical advantage “depended less on superior European technology and powers of organization than on its ability to mobilize a flow of resources through the good offices of Indian bankers.”<sup>41</sup> It was also crucial that the Company, unlike other mere merchants, possessed its own military force that it regularly rented to Indian rulers.

Given this consensus, the question that remains is to what extent European companies relied on their *domestic* relationships with Indian merchant financiers versus simply having an overall advantage in the global economy because of their control of silver from the New World. At first glance, the

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<sup>40</sup> Roy, “Rethinking the Origins,” 1127-1131. Also see: Kaushik Roy, “Military Synthesis in South Asia: Armies, Warfare, and Indian Society, c. 1740-1849,” *The Journal of Military History* 69 (2005): 651-690; Idem, *War, Culture and Society in Early Modern South Asia, 1740-1849*, (New York: Routledge, 2011); Mesrob Vartavarian, “An Open Military Economy: The British Conquest of South India Reconsidered,” *Journal of the Economic and Social History of the Orient* 57 (2014): 486-510; J.C. Sharman, *Empires of the Weak: The Real Story of European Expansion and the Creation of the New World Order*, (Princeton: Princeton University Press, 2019).

<sup>41</sup> Ray, “Indian Society and the Establishment of British Supremacy,” 516-517.

European advantage in Asia seems to have stemmed from control over bullion from the Americas, which Indian rulers and bankers desperately needed given local shortages of coin, and a greater ability to promise the repayment of debts to Indian bankers.<sup>42</sup> The global nature of European capital flows meant that the mercantile companies could use American silver to obtain Indian goods, given that they had relatively little else to sell to Asian traders that the latter would have wanted for resale or consumption in their own markets.<sup>43</sup>

While a robust analysis of global capital in the eighteenth century and the role it played in hastening European imperialism is beyond the scope of this project, a few comments are nevertheless required to address the concern that American capital acted as a panacea for European commercial backwardness in India. The first point addresses the assumption that Europeans, and the British in particular, had a comparative advantage in the importation of bullion. The best evidence available indicates that patterns of bullion acquisition and mercantile life for the British and French within India remained largely unchanged until 1757. For much of the late seventeenth and early eighteenth centuries, a significant source of bullion in India was through trade with Arab merchants, and trade in textiles and saltpeter was more voluminous in inter-Asian trade than in trade with Europeans.<sup>44</sup> There is little reason to believe that European bullion or trade were dominant in the region until the conquest of Bengal, which transferred the monopoly powers in financial and commodity markets in the richest province of Mughal India to the British. Moreover, until the acquisition of Bengal, and for some time afterwards, the British EIC did not have any choice but to rely on the maintenance of good

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<sup>42</sup> Ray, "Indian Society and the Establishment of British Supremacy," 518. "With regard to the indigenous system of commercial credit, too, the Company was better placed than the Indian powers by virtue of its reputation as an international capitalist corporation with a developed sense of the importance of paying its debts. It was known, moreover, to have the biggest disposable revenue surplus in the country to offer as collateral for large contract loans obtained from the *sabukaras*."

<sup>43</sup> Pomeranz, *The Great Divergence*, 269-274.

<sup>44</sup> Shireen Moosvi, "The Silver Influx, Money Supply, Prices and Revenue-Extraction in Mughal India," *Journal of the Economic and Social History of the Orient* 30 (1987): 47-94; Sushil Chaudhury, "Trade Bullion and Conquest: Bengal in the Eighteenth Century," *Proceedings of the Indian History Congress* 50 (1989): 153-165.

relationships with bankers who would accept the bullion for minting on their own terms. When bankers, like the Seths who are discussed in Chapter Three, felt that European companies were not importing *enough* bullion, they also acted swiftly to penalize them for withholding supplies.

The second point to note addresses the assumption that the conquest of Bengal had immediate effects for other parts of India. Even after the conquest of Bengal, the effects of British control there were not immediately felt in other parts of India. Merchant financiers in Surat and Mysore, for example, could still command exchange rates and fees for their services that set the British EIC at a disadvantage.<sup>45</sup> This was because eighteenth-century India was highly decentralized politically while being economically linked through the auspices of merchant houses and their banking networks. For example, as late as 1800, Francis Buchanan-Hamilton noted that the Company's trade in South India was dependent on the good offices of a merchant financier identified as Chouacara Mousa, who resided in Tellichery (Thalassery) and monopolized the lucrative pepper trade in the region. Because of Mousa's agents' control over the advancement of capital to cultivators and their knowledge of the inland markets, the Company's resident in the region did not believe it profitable to circumvent them and for the Company to approach the cultivators directly.<sup>46</sup> Examples of such calculations abound in British records of the time. For much of the period, capital holders acted as gatekeepers to political and economic power for Indian rulers and European companies alike.

The third point addresses the assumption that the Company during the eighteenth century was a primarily imperial actor and therefore its actions were always in the service of building empire. Besides conveniently forgetting about the imperial ambitions of actors like the Marathas and the Sikhs, attributing imperial intentions solely to the European companies in the eighteenth century, and

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<sup>45</sup> Claude Markovits, "Structure and Agency in the World of Asian Commerce during the Era of European Colonial Domination (c. 1750-1950)," *Journal of the Economic and Social History of the Orient* 50 (2007): 106-123.

<sup>46</sup> Francis Buchanan-Hamilton, *A Journey from Madras through the Countries of Mysore, Canara, and Malabar*, (London: T. Cadell and W. Davies, 1807), 532-533.

therefore reading their behavior through the lens of conquest and domination, anachronistically imposes nineteenth century concerns onto the eighteenth century. This is largely because European observers at the time felt particularly vulnerable at the hands of Indian rulers and capitalists, and Indian observers did not think European imperial domination a realistic possibility, even if they worried about increasing British aggression.<sup>47</sup>

For example, despite an early call for militarization and the establishment of British dominion in the late 1600's from the Governor of Bombay, Gerald Aungier, most European factory towns were vulnerable to sacking and revocation of trading privileges. In fact, the actions of Aungier and Company governor Josiah Child can be read as aggression on the part of weaker actors against the still dominant military powers of the Mughals and their governors, who made Child and the Company pay for their ill-conceived piracy and aggression. In another example, Siraj ud-Daula's conquest of Calcutta and his subsequent imprisonment of wealthy residents of the city in 1756 was one of the direct causes of British willingness to join Indian elites in the *nawab's* court to depose him.

Victories on the part of the Marathas and the *sultans* of Mysore in the mid and late 1700's also deeply worried British authorities. In a letter to his father in January 1790, Thomas Munro (who would later be governor of Madras) scoffed at British policy towards Mysore, which he perceived as one of the strongest states in India and therefore unlikely to succumb to British control: "[Mysore] has the most simple and despotic monarchy in the world, in which every department, civil and military, possesses the regularity and system communicated to it by the genius of Hyder, and in which all

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<sup>47</sup> Ray, "Indian Society and the Establishment of British Supremacy," 512. "Although perceptive Indians observed the growth of the British power with apprehension, with good reason they did not as yet see in their corporate and bureaucratic organization a superior strength to their own. One and all believed in Peshwa Madhav Rao's maxim: 'The age long practice has been that full responsibility is centred in one person, exercising undivided control over all members.' As the Persian chroniclers watched Warren Hastings and his councilor Philip Francis proceed from bad words to duelling with pistols in 1780 over matters of state, while Haider Ali was chasing General Munro of Buxar fame to the very gate of Madras, they saw it as a system in which the man in charge had no full power over his business and must consult and manage with four or five men the English called the Committee; 'and these are perpetually at variance with each other.'"

pretensions derived from high birth being discouraged, all independent chiefs and Zemindars subjected or extirpated, justice severely and impartially administered to every class of people, a numerous and well-disciplined army kept up, and almost every employment of trust or consequence conferred on men raised from obscurity, gives to the government a vigour hitherto unexampled in India.”<sup>48</sup> This letter is all the more remarkable for its apprehensions given that the East India Company would annex Mysore only nine years after it was written, a strong reminder of British perceptions, right or wrong, of their own precarity even late into the eighteenth century.

This type of evidence draws our attention back to the importance of local politics and the role of competition between states of varying levels of strength in the exercise of British influence within India. Even in his strenuous objections to the “new” vein of Indian historiography, which has stressed relative continuity between Indian and British rule during the eighteenth century and therefore discounted imperial aggression in that period, historian P.J. Marshall’s emphasis is not on the global context of imperial power but rather on the decisions of local Company agents and governors in India.<sup>49</sup> Until the conquest of Bengal, the East India Company was in a relatively precarious financial position, incurring huge debts for the maintenance of its armies and factories in India without a correspondingly profitable trade. The conquest of Bengal enabled the Company for the first time to use Indian revenues to defray their own costs in Asian trade.<sup>50</sup>

In effect, this means that economic imperialism could not have exerted decisive influence without the political intervention of military adventurers like Robert Clive and conquest-minded governors like Gerald Aungier. Marshall himself notes: “Had the Directors of the East India Company been able to determine what happened in India, military and political involvement would have been kept to a

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<sup>48</sup> Quoted in Burton Stein, *Thomas Munro*, (Delhi: Oxford University Press, 1989), 20.

<sup>49</sup> P.J. Marshall, “The British in Asia: Trade to Dominion, 1700-1765,” in *The Oxford History of the British Empire*, Volume II, ed. P.J. Marshall (London: Oxford University Press, 2001), 488-507.

<sup>50</sup> Robins, *The Corporation that Changed the World*, 75-76.



minimum...Thus the growth of territorial empire in India was neither planned nor directed from Britain. Ignorance about Indian conditions and slowness of communications meant that no effective control could be exercised from home. The role of the British in India was determined by men actually in India.”<sup>51</sup> Until subsequent regulation of the Company in the early nineteenth century forced London to create a coherent colonial policy, it was the Company’s own administrators who set trade policy in India, prosecuted wars, established alliances, and built British Indian institutions.

We cannot therefore assume that global economic imperialism was channeled into Indian politics in ways that primarily suited British interests, either in the pre-1800 conditions of interstate warfare with powerful Indian rivals, or in the post-1800 Company Raj, in which a tug-of-war between London and Calcutta (and Bombay and Madras) ensued. If local politics and strategies of capital accumulation were decisive, as existing evidence would suggest, then it is incumbent on the researcher to understand what these politics were and why the Company’s agents and traders could utilize methods of capital extraction and accumulation that Indian states could not. It does not seem to be the case that global capital flows gave Europeans much of an advantage in Indian credit markets, especially since the independent development of military-fiscalism in India meant that indigenous methods of advancing credit had grown up alongside increasingly war-oriented Indian states. This required that Europeans participate in the existing system until they could seize market control through force.<sup>52</sup> However, this would not happen until Indian rivals were squashed, a process that was piecemeal and staggered.

In sum, the great danger of *not* comparing the East India Companies to similarly organized Indian actors is that it assumes a lack of commensurability between early modern Asian and European economic and political life.<sup>53</sup> This is an untenable assumption to make about the pre-industrial era, in

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<sup>51</sup> Marshall, “The British in Asia,” 498-499. A classic treatment of this topic can be found in John S. Galbraith, “The ‘Turbulent Frontier’ as a Factor in British Expansion,” *Comparative Studies in Society and History* 2 (1960): 150-168.

<sup>52</sup> Pomeranz, *The Great Divergence*, 178, 188.

<sup>53</sup> For an argument in support of this point, also see Jon E. Wilson, “Early Colonial India beyond Empire,” *The Historical Journal* 50 (2007): 951-970.

which military technology and available political institutional and organizational forms were largely similar across Europe and Asia and in which European actors were forced to work within Asian economies and political repertoires in order to pursue their commercial aims. In addition, reading imperial intentions into European policy as a whole, especially through the actions of specific megalomaniacal individuals like Clive, Dupleix, Child, Aungier, and others, papers over significant dissension *within* European mercantile companies as well as *between* companies and their metropolises.

The political economy of imperialism can, of course, be studied as a global system; however, any factual account of the commercial operations of Europeans in Asia also requires grappling with the politics of the world regions in which European agents traded, whether this is the historic Levant, South Asia, Southeast Asia, or the Far East. As historian Lakshmi Subramanian puts it: “What escaped notice in the din of the fateful clash of the rival armies in the Deccan or on the dusty plains of northern India was the means and mechanics by which the Company establishments were maintained, how their armies were sustained and their troops kept in gear.”<sup>54</sup> An unwillingness to ask such questions simply reifies the inevitability of European empire and deprives Asian actors of the agency they undoubtedly possessed in responding to European incursion during that momentous period of history.

### *Sources and Historical Methods*

The evidence for the case studies is drawn from a variety of primary and secondary sources in English, including translations of French and Persian sources into English. Their use has been tempered by my own knowledge of the Persian administrative idiom, thereby allowing greater leverage in interpreting the primary and secondary sources. Because a thorough case comparison based on primary sources

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<sup>54</sup> Lakshmi Subramanian, *Indigenous Capital and Imperial Expansion: Bombay, Surat, and the West Coast*, (New Delhi: Oxford University Press, 1996), 3.

would require knowledge of several different languages, including English, Persian, Tamil, Kannada, Marathi, Gujarati, French, Dutch, and Portuguese, there are few or no scholars who can attempt cross-case analysis with perfect command of all the requisite languages and scripts.

My main task, therefore, has been to put historians with different language and regional expertise into conversation with one another to build the structure of my cases. Histories written by British surveyors, employees of the East India Company, and colonial administrators, especially ones available digitally and in print, constitute the bulk of material used in the analysis. To a lesser extent, other documents that are only available in the repository of East India Company records located within the Asian and African Collections at the British Library, have at times been used to hunt down details of transactions, memorandums, and political relationships that are not available elsewhere. All of the histories used in this project also constitute the evidentiary basis of recent, rigorous historical work on the pre-colonial period in India.

Historical work in political science has seen a resurgence in recent years, but this has come with an increased emphasis on archival methods and the use of ledgers, censuses, maps, and conflict data to build large datasets suitable for statistical analysis. While statistical methods are not appropriate for the questions that I ask in this project, which focus much more on process and within-case contexts, there are also drawbacks to relying too heavily on archival sources in this project. First, as numerous scholars working on the colonial era have noted, colonial archives are not neutral sources of evidence collection. They come down to modern researchers after long historical processes of curation and management that privilege the metropole's political and social goals over others.<sup>55</sup> As a result, treating archival documents as largely "truthful" sources is untenable in projects that rely on colonial archival sources in particular. Secondly, the eighteenth century is relatively understudied in Indian historiography and because of the endemic conflict present in the period, documentary evidence from

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<sup>55</sup> Ann Laura Stoler, "Colonial Archives and the Arts of Governance," *Archival Science* 2 (2002): 87-109.

the Indian side is difficult to locate or simply doesn't exist. In numerous histories consulted for this project, authors explicitly note the destruction of documents or the removal of original archives into private collections that are now untraceable. This is also the case in histories written relatively close in time to the events in question, such as those written at the end of the eighteenth century or beginning of the nineteenth.

In order to cope with these issues, I treat eighteenth and nineteenth century accounts written by contemporaries and modern histories of the eighteenth century in the manner prescribed by Ian Lustick in his analysis of historiographical and interpretive issues that can beset social scientists who use secondary sources without serious reflection.<sup>56</sup> Rather than ignore the interpretive issues in play, I instead leverage them as a strength of the case study analysis. Histories written in the eighteenth and nineteenth centuries demonstrate a variety of preoccupations. Native rulers and their chroniclers and biographers were, for example, concerned with how their legacies would survive the increasing dominance of the British and whether or not they would be seen as competent and powerful rulers in the wake of Mughal fragmentation. Meanwhile, Europeans had a variety of goals – while the British East India Company was at pains to demonstrate its attempts to win over purportedly intransigent native rulers, the French and Dutch, who maintained much less territorial presence, could more easily portray themselves as victims of British avarice, sometimes in the same manner as allied native princes. Lustick encourages historical social science to make use of the various interpretive lenses and theoretical positions inherent in such histories to treat accounts of the same events or chronologies as “multiple observations.” Thus, I use the case study chapters not only to reconstruct the events of the period under consideration but also to reflect on what historiographical context can tell us about their interpretation.

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<sup>56</sup> Ian S. Lustick, “History, Historiography, and Political Science: Multiple Historical Records and the Problem of Selection Bias,” *American Political Science Review* 90 (1996): 605-618.

With this in mind, I am cautiously optimistic about the reliability of the secondary sources as useful windows into the economic and political life of eighteenth-century India. One boon to this study has been that British sources on the pre-colonial period demonstrate great internal dissension and a variety of goals at odds with straightforward imperial expansion of the British colonial state. This is largely because the surveyors and administrators of the East India Company had the acquisition of economic and military resources uppermost in their minds and this is rather transparent in their reports and memorandums. This allows me to focus on how they accomplished these goals as well as where they saw their own weaknesses vis-a-vis Indian rulers.

In addition, there are significant intra-Company disagreements between administrators on the characteristics of native societies that allow the researcher comparative leverage on a variety of events, from wars prosecuted to alliances built, that are documented and analyzed obsessively and thoroughly by administrators bent on improving the Company's position in the subcontinent. As a result, it is relatively straightforward for a researcher familiar with the idioms and registers of the historical sources to ascertain whether these administrators are representing the societies and communities around them with any particular bias. Translations of native histories, mostly written in Persian at the time, act as useful counterweights to over-reliance on English sources in this process of triangulating the accounts and opinions of differently placed administrators.

### **Organization of the Dissertation**

Chapter One has laid out my own argument regarding governing by commercial actors and discussed the case selection and methodology. Chapter Two provides a critical review of existing work on the role of capital and commercial actors in state building and ruling. Chapters Three, Four, and Five lay out the empirical evidence in the form of case studies. Each case study periodizes and defines the various stages that each commercial organization I consider went through in order to achieve, or not

achieve, lasting political power. They focus in particular on the acquisition of military, administrative, economic, and socio-religious relationships with resource holders outside the organizations in question. Finally, the Conclusion looks at how the theoretical framework developed here in a historical context can be applied to instances of commercial governance in the present-day.

## CHAPTER TWO

### **Perspectives on Commerce and Capital in State Building**

#### **Introduction**

To frame the main alternative explanations to the questions I raise in this project, this chapter provides an analytical review of existing work on the development of the state and private governance by firms and other commercial organizations. Some questions I keep in mind through my review are the following:

- How do capitalists and other commercial actors interact with rulers?
- Why do some capitalists or commercial actors succeed in becoming an integral part of government while others do not?
- Why are some capitalists or commercial actors more likely to become governors?
- If successful at taking on governing roles, why would profit-driven actors like businesses take on the enormously expensive business of governing?

I examine how existing work can inform our answers to these questions, as well as identify gaps that remain in our knowledge of specific types of governors and the particular pathologies of their state building strategies. I focus particularly on the role of capitalists and other commercial actors in state building and what existing work tells us about the permeability of the boundary between governing and commerce for these actors. In the conclusion to this chapter, I summarize the key insights from the existing literatures and note key unknowns that remain.

## Views on the Historic Development of the State

Traditionally, the development of the state is understood as a process in which a political organization that holds a monopoly on physical violence bargains with the holders of capital in that society to receive the revenue it requires to fund the activities of governing, including the provision of physical security. For this reason, rulers are assumed to be analytically distinct from capitalists.

The distinction between the political realm and the commercial realm is most clearly found in the imagined geography of the emerging state in the early modern period: “cities represent regional economies; around every city or urban cluster lies a zone of agriculture and trade (and sometimes of manufacturing as well) that interacts closely with it.”<sup>1</sup> As a result, “Cities shape the destinies of states chiefly by serving as containers and distribution points for capital. By means of capital, urban ruling classes extend their influence through the urban hinterland and across far-flung trading networks...The fact that cities are loci of capital accumulation, furthermore, gives their political authorities access to capital, credit, and control over hinterlands that, if seized or co-opted, can serve the ends of monarchs as well.”<sup>2</sup>

Historically, individuals who controlled capital within cities and connected networks of commerce within countries to global trade were merchant financiers, the most common type of early modern capitalist, who, because of their independent resources and extensive connections, could largely escape the demands of rulers and find alternate places from which to conduct business if they so wished.<sup>3</sup> However, rulers and capitalists often found it useful to strike bargains with each other since cities and businesses depended on rulers for protection of their property and premises, while rulers depended on capitalists for financing.<sup>4</sup> Capitalists also depended on the centralization of law enforcement,

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<sup>1</sup> Charles Tilly, *Coercion, Capital, and European States*, (Malden: Blackwell Publishing, 1992), 18

<sup>2</sup> Tilly, *CCEs*, 51.

<sup>3</sup> Tilly, *CCEs*, 53.

<sup>4</sup> Tilly, *CCEs*, 59.



especially the protection of property rights and the standardization of commercial regulations and tax codes to maintain the profitability of their businesses.

Indeed, scholarship locates the emergence of the state as the dominant form of political organization in these bargains with capitalists because “sovereign, territorial rulers were recognized as political entrepreneurs who had vested interests in decreasing the remnants of feudal economies. In standardizing coinage, reducing the number of weights and measures, and creating more legal certitude, they reduced transaction and information costs. The greater degree of internal hierarchy was also more suited to control freeriding and defection. This in turn affected their ability to wage war more effectively.”<sup>5</sup> The bargaining process itself could take many forms, from outright coercion and exemplary punishment to “pleading with parliaments, buying off city officials with tax exemptions, confirming guild privileges in return for loans or fees, regularizing the assessment and collection of taxes against the guarantee of their more willing payment and so on.”<sup>6</sup> Thus these explanations posit the emergence and dominance of the territorial, sovereign state over other political organizations as rooted in the state’s superior ability to bargain with capitalists and towns (as containers of capitalist activity) over the means of financing government.

As states grow and their fiscal needs become more acute, the role of private capital is hypothesized to increase in importance. Capitalists possess more leverage to negotiate preferred policies, including important institutional constraints on the power of the executive. A number of scholars of authoritarian settings note that regimes and rulers can be constrained if formal and informal associations, created and/or led by various elite groups, have a vested interest in securing property and contracting rights. For example, corporate bodies of financiers in pre-revolutionary France are thought to have helped constrain the king while also providing him with a steady stream of revenue

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<sup>5</sup> Spruyt, *Sovereign State*, 166.

<sup>6</sup> Tilly, *CCEs*, 101.

that was more dependable than what could be gained solely from coercion: "...an important function of those corporate institutions that expanded in seventeenth and eighteenth century France was to create trust among partners involved in state finance: corporate bodies contributed to fiscal stability in an environment otherwise characterized by unrestrained kingly discretion."<sup>7</sup>

Similarly, in England, events set in motion by the Glorious Revolution are thought to have helped create institutional mechanisms that provided elites as well as regular citizens with reassurance that their loans to the Crown would be repaid. It is argued that the establishment of secure contracting in early modern England between the crown and its financiers, including the general public, was possible because the king agreed to limitations on his powers of expropriation through a constitution and regulation by Parliament that was backed by a credible threat of removal from the throne.<sup>8</sup> With the ruler's ability to coerce revenue through forced loans and the selling of assets and offices abolished, an environment of secure market activity could flourish.<sup>9</sup> This provided the crown with a more stable source of revenue and also encouraged economic growth driven by private actors. In expansions and extensions of this underlying logic, the outsourcing of loan repayment to central banks and checks on executives maintained through other fiscal institutions are thought to increase confidence in the state's fiscal accountability, allowing them greater ability to borrow from private actors, especially during times of war.<sup>10</sup>

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<sup>7</sup> Hilton L. Root, "Tying the King's Hands: Credible Commitments and Royal Fiscal Policy During the Old Regime," *Rationality and Society* 1 (1989): 240-258. "I link the proliferation of corporate bodies to the king's reputation for repudiating his promises; in my view, corporate institutions evolved not as methods to enhance the gains from corruption, but rather as restraints needed to prevent opportunistic sovereigns from defaulting on their creditors. The king supported the expansion of corporate society because corporate institutions enabled him to obtain credit" (241).

<sup>8</sup> Douglass C. North and Barry R. Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth Century England," *Journal of Economic History* 49 (1989): 803-832.

<sup>9</sup> For important critiques and corrections to this view, see Bruce G. Carruthers, "Politics, Popery, and Property: A Comment on North and Weingast," *The Journal of Economic History* 50 (1990): 693-698; Steven Pincus and James A. Robinson, "What Really Happened During the Glorious Revolution?" No. W17206. National Bureau of Economic Research, 2011.

<sup>10</sup> Barry R. Weingast, "The Political Foundations of Democracy and the Rule of Law," *American Political Science Review* 91 (1997): 245-263; J. Lawrence Broz, "The Origins of Central Banking: Solutions to the Free-Rider Problem," *International Organization* 52 (1998): 231-268; Roger B. Myerson, "The Autocrat's Credibility Problem and Foundations of the Constitutional State," *American Political Science Review* 102 (2008): 125-139; Carles Boix and Milan W. Svoblik, "The

Analytically separating rulers from capitalists has allowed scholars to track the evolution of distinct public and private spheres of revenue generation as well as answer important questions about the ideal political conditions for economic growth.<sup>11</sup> Yet for medieval and early modern states, the infrastructure for the state's own administration depended on the institutions and resources of private capital holders: "Interest groups such as organizations of merchants, guilds, city councils, and village communities remained influential throughout much of history. They gained influence in the state – both formal and informal – and managed to negotiate favourable institutions, with the most important goal being checks on the danger of dictatorship."<sup>12</sup> So, although the argument that private capitalists often acted as checks on the unrestrained use of executive authority reflects an important reality, this argument does not fully capture the ways in which private actors remained embedded in state institutions even as states were expanding the remit of their own authority.

As a result, even the influential works that interrogate the state building tradition do not provide a way of understanding the successes of particular types of private actors embedded within states, or private-public partnerships that help create institutions of government. Indeed, the goal of much work in this tradition is to simplify the complexity engendered by these types of arrangements in order to track the development of state and economy as parallel phenomena. In some cases, the familiar disquiet, noted in the introduction to this chapter, of acknowledging the hand of private actors in

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Foundations of Limited Authoritarian Government: Institutions, Commitment, and Power-Sharing in Dictatorships," *Journal of Politics* 75 (2013): 300-316; Paul Poast, "Central Banks at War," *International Organization* 69 (2015): 63-95.

<sup>11</sup> John Brewer, *Sineys of Power: War, Money, and the English State, 1688-1783*, (Cambridge: Harvard University Press, 1990); Mark Dincecco, "Fiscal Centralization, Limited Government, and Public Revenues in Europe, 1650-1913," *Journal of Economic History* 69 (2009): 48-103 and *Political Transformations and Public Finances: Europe, 1650-1913*, (New York: Cambridge University Press, 2011); David Stasavage, *States of Credit: Size, Power, and the Development of European Politics*, (Princeton: Princeton University Press, 2011); and K. Kivanç Karaman and Şevket Pamuk, "Different Paths to the Modern State in Europe: The Interaction Between Warfare, Economic Structure, and Political Regime," *American Political Science Review* 107 (2013): 603-626; Wenkai He, *Paths Toward the Modern Fiscal State: England, Japan, and China*, (Cambridge: Harvard University Press, 2013).

<sup>12</sup> C. Jaco Zijderduijn, *Medieval Capital Markets: Markets for Renten, State Formation and Private Investment in Holland (1300-1550)*, (Leiden: Brill, 2009), 5.

government directs the researcher towards considering any such occurrences as instances of corruption, rather than a common pattern in the history of state building.<sup>13</sup>

## **Social Networks and Regime Politics in State Building**

### *Sociology of Economies and States*

Two main responses describe the tendency to separate capitalists from rulers in the state building and formation traditions. One has come from historical sociologists who consider the sociological dimensions of economies. Many works in this area argue that institutional forms and patterns of organization migrate from one sphere of activity – the financial or economic, for example – to the political or social – such as the structure of government. In such cases, the resources that allow the migration of ideas, practices, and organizational patterns across private and public spheres, and which allow commercial actors to be successful in government, flow along social networks. This is especially true with regards to individuals at central points in these networks, who possess connections to actors in a wide variety of other roles. Therefore, actors with central positions across multiple networks make for successful governors.

A well-known example is that of the Medici family of Florence, which rose to prominence as bankers to European states and the papacy in the 15th century. As a financial institution, the Medici had originally started as moneychangers, using their offices to act as a point of exchange and transfer of credit. Later, they would also exercise influence in the state through roles in the treasury and as

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<sup>13</sup> Bruce G. Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution*, (Princeton: Princeton University Press, 1999), 6: “For modern capitalist societies, it is common to follow Friedman’s reasoning and suppose that markets and politics are distinct and that each sphere has behavior that is uniquely appropriate to it: people lobby and vote in politics but they buy and sell in the marketplace; they exercise their voice in the polity and use the exit option in the market. Furthermore, the separation of the two social spheres is compelling, for mixed modes are intellectually and even morally troublesome.”

paymasters to troops during times of war.<sup>14</sup> Through well-placed marriages and their position as sole brokers between various important families, the Medici clan rose to a central role in Florentine politics.<sup>15</sup> Their rise was made possible by the building and mobilization of networks that connected the family to outsiders as well as employment relations that made non-kin into agents of the family business.

Other works in this tradition find similarly flexible actors, easily crossing between public and private domains. For example, the development of capital markets in Western Europe is argued to have occurred in tandem with state building because lenders were institutionally linked to the political fortunes of their debtors who occupied various important positions throughout government. Wealthy shareholders are also thought to have waged political battles for controlling interest in joint stock companies and banks through their activity buying and selling stock on the London Exchange.<sup>16</sup> In the early modern Dutch state the connections between private capital and public office were even more stark. The oligarchical structures that comprised the state as well as the Dutch East India Company (VOC) were composed of individuals who weren't simply governors or merchants but both.<sup>17</sup> "Merchant self-organization," and the resulting linkage between the chamber governors and the board of directors, is hypothesized to be one of the key reasons for the VOC's success since its interests were also the government's interests. The negotiation between state and company produced elite pacts and cross-cutting obligations in governance that gave rise to new forms of consultative

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<sup>14</sup> Richard A. Goldthwaite, "The Medici Bank and the World of Florentine Capitalism," *Past & Present* 114 (1987): 6-7, 26.

<sup>15</sup> Melissa Meriam Bullard, "Marriage Politics and the Family in Florence: The Strozzi-Medici Alliance of 1508," *American Historical Review* 84 (1979): 668-687; John F. Padgett and Christopher K. Ansell, "Robust Action and the Rise of the Medici, 1400-1434," *American Journal of Sociology* (1993): 1259-1319.

<sup>16</sup> Carruthers, *City of Capital*, 8-9, 18-19.

<sup>17</sup> John F. Padgett, "Country as Global Market: Netherlands, Calvinism, and the Joint-Stock Company," in John F. Padgett and Walter W. Powell, *The Emergence of Organizations and Markets*, (Princeton: Princeton University Press, 2012), 211-212.

government both within and outside the VOC, insofar as such a distinction can be made.<sup>18</sup> A similar phenomenon is known to have occurred in the linkage of commodity merchants to state structures. For example, in eighteenth century Qing China, the leadership of guilds of salt merchants was interlocked with imperial administration through the division of the empire into salt districts and the appointment of hereditary heads of salt trade in each division.<sup>19</sup>

### *Regimes and Capital*

Another discrepancy in a neat distinction between rulers and capitalists can be found in the work on the political economy of authoritarianism, in which scholars have uncovered the prominent role that some capitalists and commercial actors have played in regimes and ruling coalitions. At the regime level, scholarship in comparative politics has considered the role of elite coalitions in developing states and has argued that alliances between economic and political elites, among others, can drive the growth of states' administrative capacity. In the view of these literatures, capitalists enter government as coalition partners within regimes, using their economic clout to direct policymaking and to fund the maintenance of parties that represent their interests.

An influential view on state building in the modern era emphasizes that strong states do not originate simply from the experience of war and its demands on capital. Rather, they also require the presence of a dominant group within the state that can enforce the claims that states make on their subjects.<sup>20</sup> The dominant group acts as the “driver” of the state machinery: “There is no reason to expect states to undertake the political and organizational challenge of penetrating their societies if

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<sup>18</sup> Julia Adams. *The Familial State: Ruling Families and Merchant Capitalism in Early Modern Europe*, (Ithaca: Cornell University Press, 2005): 4, 14-18.

<sup>19</sup> Ping-ti Ho, “The Salt Merchants of Yang-Chou: A Study of Commercial Capitalism in Eighteenth Century China,” *Harvard Journal of Asiatic Studies* 17 (1954): 130-168.

<sup>20</sup> Miguel Angel Centeno, *Blood and Debt: War and the Nation-State in Latin America*, (University Park: Penn State University Press, 2002), 29.

resources can be found more easily...enough of an administrative core must already be in place that the state can use as a base on which to develop its strength.”<sup>21</sup> Who are the elites that comprise the dominant driving group? One answer comes from research on state building in Southeast Asia. There, states have developed where agreements between elite groups in the form of “protection pacts” emerge in the face of mass unrest or popular mobilization, encouraging elite coordination and cooperation with the state. Where these protection pacts have been strong and resulted in greater extractive capacity, they have been crucial in expanding the infrastructural power of modern states otherwise lacking a historic experience of ongoing, total warfare.<sup>22</sup>

Other work similarly finds that organizations such as political parties and militaries are often funded by resources that economic elites funnel towards the state or through state organizations themselves participating in private sector economic activity, including criminal activity.<sup>23</sup> Fundamentally, authoritarian governments may use bargains with economic elites to cement the power of their regimes and lock-in favorable institutional arrangements.<sup>24</sup> The emergence of the state’s administrative structure is, in these contexts, a direct consequence of the incorporation of capitalists, and economic elites more generally, into the state’s core.<sup>25</sup> As a result, work on the political economy of authoritarianism moves closer to considering the multiple sorts of bargains that may be struck between rulers and capitalists and complicates the neat division between political and commercial and

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<sup>21</sup> Centeno, *Blood and Debt*, 166.

<sup>22</sup> Dan Slater, *Ordering Power: Contentious Politics and Authoritarian Leviathans in Southeast Asia*, (New York: Cambridge University Press, 2010), 17.

<sup>23</sup> John T. Sidel, *Capital, Coercion, and Crime: Bossism in the Philippines*, (Palo Alto: Stanford University Press, 1999); Mary Callahan, *Making Enemies: War and State Building in Burma*, (Ithaca: Cornell University Press, 2005); Mazhar Aziz, *Military Control in Pakistan: The Parallel State*, (London: Routledge, 2007); Javier Corrales and Michael Penfold-Becerra, *Dragon in the Tropics: Hugo Chávez and the Political Economy of Revolution in Venezuela*, (Washington, DC: Brookings Institution Press, 2011); Milan Vaishnav, *When Crime Pays: Money and Muscle in Indian Politics*, (New Haven: Yale University Press, 2017).

<sup>24</sup> Mancur Olson, “Dictatorship, Democracy, and Development,” *American Political Science Review* 87 (1993): 567-576; Stephen Haber, “Authoritarian Government,” in *Oxford Handbook of Political Economy* (New York: Oxford University Press, 2008), 693-707; Beatriz Magaloni, “Credible Power Sharing and the Longevity of Authoritarian Rule,” *Comparative Political Studies* 41 (2008): 715-741; Michael Albertus, “Landowners and Democracy: The Social Origins of Democracy Reconsidered,” *World Politics* 69 (2017): 233-76.

<sup>25</sup> Slater, *Ordering Power*, 18, 20.

economic realms by being attentive to how pervasive economic interests may be represented within regimes.

### *Summary*

The comparative politics literature on the political economy of authoritarianism and the sociological literatures on market and state formation do, therefore, provide initial analytical frameworks for understanding why some commercial actors are able to enter government in influential roles. Scholars of comparative politics teach us that capitalists and their business interests often become influential in the state through governing coalitions that form to protect elite privileges from internal or external threats, including the pressure to democratize. Meanwhile, historical sociologists demonstrate that economic and political realms may be two sides of the same coin when key individuals or groups can seamlessly cross back and forth across identities and functions.

However, these literatures are fundamentally state-centered, meaning that the role of capitalists and businesses is seen through the lens of state growth or development, rather than comparing why commercial actors themselves may find it useful to take on governing responsibilities, which are usually very expensive and not profitable in the short term. In addition, comparing different *sorts* of commercial actors with one another and considering their potentially varying governing strategies remains unexplored as a possibility. Therefore, I turn next to literatures that consider a diversity of private groups in competition with the state and consider what they can tell us about the successes and failures of commercial actors in the business of governing.

### **Private Governance and Weak States**



Recent work on limited statehood and alternate, non-state forms of governance has reached a consensus that state absence or limited statehood, construed as the inability of ordinary people to gain access to state resources, organizations, or institutions, need not mean a lack of governance altogether. Alternatively governed spaces are ones in which private actors, ranging from insurgents and warlords to non-government organizations (NGOs) and multinational companies, act as providers of order and security for populations.<sup>26</sup>

Unlike the work on historical state formation, research on non-state actor governance explicitly accounts for groups that are unconventional in their organization because they may combine multiple functions, including trade, security provision, norm entrepreneurship, etc., within the same body. Thus, there is no necessary separation between an organization with the monopoly on force within a given territory and capital holders. Indeed, many commercial actors in these contexts may themselves be armed while armed actors may run their own businesses. Here, I consider the state of the field on the topic of private actors involved in governance, with a focus on those most relevant to the research questions of this dissertation.

### *Firms and their Partners*

One of the main routes through which multinational corporations are thought to transcend their role as merely economic actors and cross into the political is through philanthropic and development work, often under the umbrella of corporate social responsibility (CSR). Work in this emerging field argues that CSR has grown as an important category of corporate activity primarily because of the pressures

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<sup>26</sup> Ken Menkhaus, "Governance without Government in Somalia: Spoilers, State Building, and the Politics of Coping," *International Security* 31 (2007): 74-106; Tanja A. Börzel and Thomas Risse, "Governance without a State: Can It Work?" *Regulation & Governance* 4 (2010): 113-134; Anne L. Clunan and Harold A. Trinkunas, "Conceptualizing Ungoverned Spaces: Territorial Statehood, Contested Authority, and Softened Sovereignty," in *Ungoverned Spaces: Alternatives to State Authority in an Era of Softened Sovereignty*, (Stanford: Stanford University Press, 2010); Thomas Risse and Erik Stollenwerk, "Legitimacy in Areas of Limited Statehood," *Annual Review of Political Science* 21 (2018): 403-418.

that globalization has exerted on developing states. In a succinct and helpful articulation of this perspective, scholars of management and business have noted that “under the conditions of globalization, the strict division of labour between private business and nation-state governance does not hold any more. Many business firms have started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance.”<sup>27</sup>

In practice, then, corporations take on a variety of roles that normally fall under the purview of governments, especially in states with low amounts of infrastructural power.<sup>28</sup> Some of these activities can include providing goods like public health, education, security, and protection of human rights, which are thought to arise as a result of notions of “corporate citizenship,” in which corporations actively enforce the rights and privileges held by individuals in society as a result of their citizenship in a specific state.<sup>29</sup> NGOs that already fill governance gaps in developing countries have also been known to exert their influence on multinational corporations to contribute to addressing diverse challenges, including public health issues like AIDS as well as social ills like persistent poverty and malnutrition.<sup>30</sup>

As a corollary of work on CSR and corporate citizenship, scholars have also noted the role of corporations in bringing about peaceful resolutions to conflicts.<sup>31</sup> Through the controversial United Nations “business for peace” (B4P) initiative, which was launched in 2013, multinational corporations

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<sup>27</sup> Andreas Georg Scherer and Guido Palazzo, “The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy,” *Journal of Management Studies* 48 (2011): 899. Also see this special issue: Andreas Scherer, Guido Palazzo, and Dirk Matten, eds., “The Business Firm as a Political Actor: A New Theory of the Firm for a Globalized World,” *Business and Society* 53, no. 2 (2014): 139-332.

<sup>28</sup> This concept is first theorized by Michael Mann in multiples of his work, including “The Autonomous Power of the State: Its Origins, Mechanism and Results,” in *The State: Critical Concepts*, ed. John A. Hall, (New York: Routledge, 1994). For further helpful discussions, also see Daniel Ziblatt, *Structuring the State: The Formation of Italy and Germany and the Puzzle of Federalism*, (Princeton: Princeton University Press, 2006), 13-14; and Slater, *Ordering Power*, 35-37.

<sup>29</sup> Dirk Matten and Andrew Crane, “Corporate Citizenship: Toward an Extended Theoretical Conceptualization,” *Academy of Management Review* 30 (2005): 166-179.

<sup>30</sup> Joshua D. Margolis and James P. Walsh, “Misery Loves Companies: Rethinking Social Initiatives by Business,” *Administrative Science Quarterly* 48 (2003): 268-305.

<sup>31</sup> Tim Fort, ed., “Special Issue: The Business of Peace,” *Business Horizons* 59, no. 5 (2016): 451-566.

have increasingly been called upon to act as peacebuilders in conflict zones.<sup>32</sup> Scholars conducting research into the effectiveness of corporate-led peacebuilding note that “the idea that companies can foster peace was not considered seriously within the global peacebuilding establishment until the *opposite* happened...The recognition that the private sector *can* play a positive role if given the right incentives or support dovetailed with increasing donor frustration at stagnant outcomes of traditional development aid delivery.”<sup>33</sup> Relying on the fact that reputational mechanisms matter to corporations, including public naming and shaming by activist networks and media, international organizations (IGOs) have attempted to induce corporations to act responsibly in conflict zones and provide delivery of basic services and aid that their larger organizational structures make more efficient.

However, this also comes at the risk that corporations may play a peacebuilding role only as long as it maintains their ability to operate at a profit: “While the UN’s adoption of B4P contains the promise to extend public authority over corporate activities in conflict zones, B4P also redefines peace as a field beyond the domain of states and their IGO proxies.”<sup>34</sup> As a consequence of the reduction of the state’s role, efforts to maintain peace in conflict zones may be uneven or hotly contested.

Businesses have also been found to fill gaps in governing through promoting secure property rights in markets where the state or its agents behave in a predatory manner. In the institutionalist tradition of economic history, influential work on medieval Europe has found that the first innovations to protect property rights arose out of actions that merchant diasporas took to protect their assets from being appropriated in long-distance trade. One of the main innovations was the creation of the merchant guild, which pooled information: “The merchant guild organizations exhibited a range of administrative forms, from a subdivision of a city administration to an intercity

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<sup>32</sup> Peer Schouten and Jason Miklian, “The Business-Peace Nexus: ‘Business for Peace’ and the Reconfiguration of the Public/Private Divide in Global Governance,” *Journal of International Relations and Development* (2018): 1-22.

<sup>33</sup> Schouten and Miklian, “Business-Peace Nexus,” 8.

<sup>34</sup> Schouten and Miklian, “Business-Peace Nexus,” 17.

organization. All of these forms shared the same function: they linked each transaction between the ruler and merchant (the central transaction) with the information-sharing and coercive transactions of all the merchants (the auxiliary transactions).”<sup>35</sup>

Scholars of contemporary states find that a similar dynamic continues to occur today. For example, in Russia, where state courts have proven unable to enforce property rights protections, business associations have stepped in to fill the regulatory gap. Bureaucrats, in their capacity as agents of the state, have used their local influence to stand outside the law, leaving courts unable to constrain their predatory behavior.<sup>36</sup> In response to their inability to rely on state courts, businesses have been found to forge alliances with other businesses as well as with other actors, including government labor unions and NGOs.<sup>37</sup> This argument can therefore be seen as the mirror image of the arguments concerning businesses as peacekeepers – while governments and NGOs may find businesses to be useful partners in providing services where their authority or capacity does not extend, businesses may also find outside actors useful partners when their interests as stakeholders in a firm’s business activities are threatened.

### *Criminal Organizations and other Racketeers*

Of course, not all businesses are legitimate – some turn a profit precisely because of their involvement in illicit economies. In illicit economies, state regulations mandating tax collection on sales of goods or prohibiting trade or production of certain goods coincide with a lack of government oversight or

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<sup>35</sup> Avner Greif, “Securing Property Rights from the Grabbing Hand of the State,” Chapter Four in *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*, (New York: Cambridge University Press, 2006), 91-123.

<sup>36</sup> Timothy Frye, “Credible Commitment and Property Rights: Evidence from Russia,” *American Political Science Review* 98 (2004): 453-466.

<sup>37</sup> Stanislav Markus, “Secure Property as a Bottom Up Process: Firms, Stakeholders, and Predators in Weak States,” *World Politics* 64 (2011): 249.

enforcement.<sup>38</sup> In these circumstances, organizations must often buy their own protection and dispute adjudication, as they cannot rely on the state to provide these services on their behalf. In other cases, legitimate businesses, especially newcomers to new territories or markets, turn to illegitimate businesses to fulfill governance roles that states cannot. These economies produce situations of low trust, in which criminal organizations can flourish. More broadly, multiple research agendas crossing economics, political science, and sociology have attempted to understand how private order, including criminal governance, emerges in conditions of domestic anarchy.<sup>39</sup>

One of the best-studied examples of a criminal organization exerting governing authority is the Sicilian mafia, which originally came into being to provide contract enforcement in the remote Italian countryside. The main role of the mafia's business here was to "sell" protection and contract enforcement in situations where other third-party enforcement, especially from the state, was scarce either because of the inaccessibility of the communities involved or because of the illegality of the transactions.<sup>40</sup> As suppliers of private protection, mafias provide a service that need not be based solely on extortion or intimidation: "in a market reputed to be protected by a mafioso, outsiders are less likely to cheat: even if only a few pay for protection, all benefit, for outsiders may not be able to distinguish those who are protected from those who are not."<sup>41</sup> By generating these externalities, private protection becomes a collective good and the mafias that supply it behave like unofficial governors.

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<sup>38</sup> Vanda Felbab-Brown, "Rules and Regulations in Ungoverned Spaces: Illicit Economies, Criminals, and Belligerents," in *Ungoverned Spaces: Alternatives to State Authority in an Era of Softened Sovereignty* (Stanford: Stanford University Press, 2010), 176-177.

<sup>39</sup> Stergios Skaperdas, "The Political Economy of Organized Crime: Providing Protection When the State Does Not," *Economics of Governance* 2 (2001): 173-202; Robert Bates, Avner Greif, and Smita Singh, "Organizing Violence," *Journal of Conflict Resolution* 46 (2002): 599-628; Peter T. Leeson and Claudia R. Williamson, "Anarchy and Development: An Application of the Theory of Second Best," *Law and Development Review* 2 (2009): 77-96.

<sup>40</sup> Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection*, (Cambridge: Harvard University Press, 1996).

<sup>41</sup> Gambetta, *The Sicilian Mafia*, 30.

A contemporary example of the same phenomenon in illicit economies, specifically narcotics, occurs in the form of prison gangs, which punish refractory members or cheaters, while also providing order in the communities in which their businesses operate. Prison gangs accomplish this task through controlling access to resources and protection in prison for arrested gang members, thereby relying on the state's ability to incarcerate criminals in the first place. Paradoxically, they use the future threat of punishment in prison to monitor the behavior of gang members and thereby to fill the governance gap that emerges in their illegal drug markets outside prison.<sup>42</sup> Other scholars have found a similar dynamic in the self-policing behavior of pirates in the early modern world. Pirates could not rely on state institutions to settle disputes between themselves, especially when on board ships at sea, and therefore developed their own early constitutional methods to punish cheaters and promote stability of transactions.<sup>43</sup> These types of organizations therefore innovate methods to cope with ineffective governance, or to work around the law, as a result of geographical or legal constraints on their economic activity. Their imbrication with the state is therefore unintentional but unavoidable.

In a different line, some scholars have demonstrated that state governance is always characterized by hybrid public-private arrangements, especially in the early stages of state formation. In particular, businesses that sell violence/protection have been found to lend their services to the state and expand state capacity when state bureaucracies are still incipient. In some cases, these firms are themselves engaged in illicit or criminal behavior. For example, in Russia, private actors, including mafias, private security firms, and others, became suppliers of protection to other businesses during the early period of economic transition in the 1990s. However, contrary to strict divisions of a public, legal realm and a private, economic realm, many providers of protection sat between both, or partnered with groups

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<sup>42</sup> David Skarbek, "Governance and Prison Gangs," *American Political Science Review* 105 (2011): 702-716; Benjamin Lessing and Graham Denyer Willis, "Legitimacy in Criminal Governance: Managing a Drug Empire from Behind Bars," *American Political Science Review* 113 (2019): 584-606.

<sup>43</sup> Peter T. Leeson, *The Invisible Hook: The Hidden Economics of Pirates*, (Princeton: Princeton University Press, 2009).

in both. Eventually, state agencies took control of some of these protective services and brought them within the state's aegis, but not before they had been first developed and organized in the private sector.<sup>44</sup> Work on the early American state during the westward expansion of the nineteenth century has found a similar dynamic: "The growth of private forms of violence alongside the bureaucratic development of state police and military agencies had important implications...Private violence experts did not *compete* with the state in offering protection, but rather, even as the state increased its bureaucratic capacity to manage force, they collaborated with public officers, sharing personnel and resources."<sup>45</sup>

Outside of the two broad camps of public-private symbiosis or collaboration discussed above, criminal organizations are also known to work with militant groups, who exercise *de facto* or incipient control over territory and populations. In some work, this has been theorized as a "crime-terror continuum," in which terrorist activity is funded by organized crime.<sup>46</sup> However, this general phenomenon is much more nebulous, given that many rebels, militants, and warlords maintain their own business enterprises that operate outside the law. These enterprises generate revenue that is then used to fund group activities, like the purchase of arms and the distribution of patronage, which help maintain territorial control and group cohesion. For example, warlords in Africa pursue power through managing markets and accumulating goods and resources that they then distribute as patronage to maintain wide networks of clients.<sup>47</sup> In the Afghan case, Afghan warlords have "occupied the many gaps between state and citizen...Predation and protection often go hand in hand, as do patronage politics and the provision of goods and services...As the state center extends its tentacles into the

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<sup>44</sup> Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism*, (Ithaca: Cornell University Press, 2002).

<sup>45</sup> Jonathan Obert, *The Six-Shooter State: Public and Private Violence in American Politics*, (New York: Cambridge University Press, 2018), 7.

<sup>46</sup> Tamara Makarenko, "The Crime-Terror Continuum: Tracing the Interplay Between Transnational Organised Crime and Terrorism," *Global Crime* 6 (2004): 129-145.

<sup>47</sup> William Reno, *Warlord Politics and African States*, (Boulder: Lynne Rienner Publishers, 1999).

periphery, the role grows for intermediaries, social brokers, ‘hinge groups,’ or middlemen in a position to span the chasm between the capital and the hinterland.”<sup>48</sup> Similarly, illegal trade has funded warlord brokers in Southeast Asia, who use their liminal position, particularly in borderlands and other peripheries, to consolidate spheres of control in their own right.<sup>49</sup>

### *Summary*

The analogy between government and organized crime as varying sorts of entities in possession of organized violence is now well-known, largely due to Charles Tilly’s theorization of the state as a protection racket. Even within the legitimate realm of the state, those unwilling to contribute their share to the state’s coffers are left at the mercy of the same armed men (military or police, for example) that provide protection to those who pay their share: “To the extent that the threats against which a given government protects its citizens are imaginary or are consequences of its own activities, the government has organized a protection racket. Since governments themselves commonly simulate, stimulate, or even fabricate threats of external war and since the repressive and extractive activities of governments often constitute the largest current threats to the livelihoods of their own citizens, many governments operate in essentially the same ways as racketeers.”<sup>50</sup>

Putting the state on a spectrum of organized groups with control over violence in this way helps to open theorization of the role of private actors in state building. In particular, by moving past the normative commitments inherent in categorizing some activities as criminal and others as legitimate, we can use insights from the work on criminal governance to inform how we think about private-public collaborations that produce distinct administrative legacies and state building patterns.

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<sup>48</sup> Dipali Mukhopadhyay, *Warlords, Strongman Governors, and the State in Afghanistan*, (New York: Cambridge University Press, 2014), 11.

<sup>49</sup> Ariel Ahrām and Charles King, “The Warlord as Arbitrageur,” *Theory and Society* 41 (2012): 169-186.

<sup>50</sup> Charles Tilly, “War Making and State Making as Organized Crime,” in *Bringing the State Back In*, Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., (Cambridge: Cambridge University Press, 1985), 170.



The emerging work on multinational corporations as key players in governance has yet to be put into dialogue with a better-established set of literatures on criminal governance. One commonality between legitimate and illegitimate organizations that emerges from this review is that both participate in governance to the extent that it remains profitable. When it is no longer profitable, private governance is either eliminated or subsumed into existing state structures. The implicit finding is, then, that maintaining profitability also allows private actors to evade the pressure that states may want to exert on them to disband or have their personnel and networks absorbed into the state's own administrative apparatus. In situations where the state itself is predatory and private organizations provide security to beleaguered businesses and citizens, the motivation for private actors to exert governing authority may instead be simple survival.

## **Conclusion**

In the table below, I summarize the key takeaways of the literatures reviewed here. In addition, I consider how the cases I investigate in the dissertation match each literature's expectations for the role of capitalists in state building. Where there is a match, meaning that capitalists did play the role anticipated in the given literature in a specific case, I indicate that in the table.

Table 3: Existing Explanations of the Role of Capitalists in State Building

Theory	Causal Mechanism	Predicted Outcome	Role of Capitalists	Case 1: Bengal (family firm)	Case 2: Bombay (joint stock company)	Case 3: Mysore (state-owned enterprise)
<i>War as catalyst for state formation</i>	Bargaining with resource holders	Growth of fiscal, administrative state	Financiers to the state; later, a check on arbitrary use of power by the state	X		X
<i>Co-constitution of state and economy</i>	Social networks and identities	Migration of practices, institutions, and organizational forms	Simultaneously players in the state and economy	X	X	
<i>Political economy of regimes</i>	Crisis to establishment (mass politics, democratization, etc.)	Coalitions based on self-interest or preservation	Incorporated into ruling coalitions or regimes			X
<i>Corporate social responsibility</i>	Weak state infrastructural power and regulatory capacity	Limited private provision of goods and services	Fillers of gaps in governance		X	
<i>Criminal governance</i>	Lack of access to the state or legitimate means of dispute resolution	Protection rackets	Participants in illicit economies; sometimes providers of security		X	

As can be seen in the table, no one explanation holds in each case I consider in the dissertation. Instead, elements of multiple extant explanations seem to operate in each case. As a consequence, no single literature allows us to construct a general explanation of how and when commercial actors become governors.

The alternative explanation I propose, which centers on an organization's social foundations and its openness to external actors, attempts to reconcile these literatures' findings for how and why various sorts of capitalists and commercial actors follow such different paths to political power. I argue that the common thread linking these literatures' findings lies in the varying social foundations of the dominant group that each literature sets out to theorize. By focusing on a group's prior social characteristics, we can better understand how groups may follow different trajectories based on these pre-existing traits. These characteristics can help identify what sorts of constraints and opportunities various groups face in their transition from commerce to politics or vice versa.

For example, the Portuguese Estado da Índia is often compared to the European joint stock companies, even though its organization and purpose were significantly different. Due to direct supervision by the Portuguese Crown and the lack of a true joint-stock, private merchants operating in India were co-opted into the Crown's trade with Asia, forced to join based on national and religious loyalty more than any profit-based incentive.<sup>51</sup> This means that the resources available to the organization for governing were quite different than what was available to the British or Dutch, who operated true joint stocks based on contractual, profit sharing factors.

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<sup>51</sup> Chandra Richard de Silva, "The Portuguese East India Company," *Luso-Brazilian Review* 11 (1974): 196. "The establishment of the Company likewise did not confer the power of managing the trade with the East to a body of merchants. The President of the Company was a nobleman and a trusted servant of the king. The merchants who were on the supreme body of the Company – the Camara de Geral Administração – were there as salaried representatives of the Crown. There was therefore much justification in the criticism that the formation of the Company achieved only the setting up of yet another government department...Merchants of standing were reluctant to give up their trade in return for the modest salaries offered by the Company and eventually they had to be conceded the right of private trade. The Company offered them little or no prospect of promotion. Nor were they given incentives such as a share of profits...In this situation it is not surprising that the Company failed."

Moreover, this review of existing work shows that significant gaps remain in our understanding of commercial actors as state builders. For example, while the British East India Company was not a criminal organization, it nevertheless engaged in certain illicit activities, like piracy and extortion, that resulted in the creation of protection rackets similar to modern-day criminal organizations. However, it did so while also providing the Mughal imperial state with important services, like the provisioning of imperial soldiers, which Delhi or its provincial governors may have struggled to provide in certain times.<sup>52</sup> Which activity was more central in its transition to governing? Was it more important to work within the existing system or disrupt it by providing protection from a threat the Company was implicated in creating? In other cases, where we would expect actors with flexible identities to play one or more roles simultaneously, like the portfolio capitalists discussed in the first chapter, it is difficult to know whether such actors were always playing multiple roles simultaneously or whether they used resources gained in one role, say as a diamond trader, to garner a new role, say as a treasury official.<sup>53</sup>

As a result, I set a few different goals for the case study chapters. First, I probe the extent of evidence available for existing theories of how capitalists and other commercial actors become governors, or alternatively, how political actors transition to commerce. Second, I look at questions of sequence and temporality that would help us determine how and when such actors with hybrid, multiple identities achieve political and/or commercial power. Third, and finally, I assess the evidence available for the argument I propose – that the overwhelmingly important explanatory factor is a group's social foundations which leads to differential ability to forge relationships with outsiders.

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<sup>52</sup> Stern, *The Company-State*, 134. “Unfortunately, despite such overtures, serious tensions with Mughal powers persisted on both sides of India and in fact were exacerbated by the appearance in the 1690’s of what seemed like an infestation of Anglo-American ‘pirates’ in the Red Sea and the Indian Ocean. This reached a climax in 1695, when the English Captain Henry Avery (or Every) famously seized two Mughal ships in the Red Sea, including one, the *Ganji-i-Sawai*, which was said to have belonged to Aurangzeb and which was transporting *hajji* returning from the pilgrimage to Mecca not to mention a great deal of money.”

<sup>53</sup> See the example of Mir Muhammad Sayyid Ardestani, discussed in Chapter One.

## CHAPTER THREE

### **Bengal's Princely Bankers, 1700-1757**

#### **Introduction**

By the late 1600s, Bengal was perhaps the most important province in Mughal India, famed for its rich and diverse natural resources as well as its vibrant mercantile life. As a result of its resources and the abundant waterways that allowed it to be a hub for commerce, it was the wealthiest province in the empire. The Mughal aristocracy and bureaucratic classes, therefore, coveted appointments there, which allowed opportunities for professional advancement and personal enrichment.

Bengal was also in many ways a microcosm of commerce and politics in the wider landscape of India. Various merchant diaspora communities, including Gujaratis, Marwaris, Arabs, Armenians as well as some native Bengalis, were important in ushering in conditions of proto industrialization, especially in Bengal's famous textile markets. The elite among the Asian merchant communities who lived in Bengal, including "merchant princes" like Omichand and his brother Deepchand, an Armenian capitalist named Khwaja Wazid, and others were not just traders but also lenders, revenue farmers, and landholders, thereby combining a portfolio of activities in their businesses that allowed them various streams of revenue. These men were leaders in their own kinship communities of mercantile exchange, important brokers between government and merchants, and the most important connectors of European maritime trade with inland commodity production. Among European trading companies, the Portuguese were the first to arrive in Bengal, followed by the Dutch, and then the British, a pattern replicated in other parts of the subcontinent.

The Jagat Seths ("bankers to the world"), who were titled as such by the Mughal emperor Farrukhsiyar and his successors, are perhaps the best-known example of "merchant princes" from this period. They exercised the most independence in commercial affairs and had substantial influence

over commerce in the region. Like Omichand and Khwaja Wazid, moreover, they were part of merchant diasporas who had moved from other parts of India or Asia in order to set up trade houses and lending branches in Bengal. The Seths were also very well-connected in the provincial court of Bengal, especially in the period of the *nawabs*, who acted as independent governors.

The strength and resilience of bankers like the Seths lay in their strong kinship ties, which helped them tap into a subcontinent-spanning network of exchange houses run by other members of their caste group for the movement of goods, bullion, and coin. As such, they were indispensable to both Indian rulers who did not participate in commerce on their own account, like the *nawabs* of Bengal, and the European mercantile companies, who were largely confined to their maritime factories and ports and lacked their own hinterland networks. This provided the Seths with opportunities not only to influence politics but indeed to exercise their influence to *choose* the rulers that most benefitted them.

Despite their substantial role in provincial politics, however, the Seths never transitioned into full-fledged administration as rulers in their own right. While they possessed market control as virtual monopolists of Bengal's financial markets in the first half of the eighteenth century, their caste norms acted as a check on the extent of their partnerships and the sharing of their expertise, as these were usually confined to learning within families.<sup>1</sup> In addition, despite possessing a private security force that guarded their own house, wealth, and family members in the later stages of their tenure in Bengal, this private security force was never enlarged or used in the pursuit of political authority.

I argue that this was due to the norms of their social group, in which the pursuit of political power was discouraged and the close guarding of financial and commercial information within kin circles was encouraged. As a group, therefore, the Seths and the Oswal Jain community to which they

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<sup>1</sup> Sushil Chaudhury, "Merchants, Companies and Rulers: Bengal in the Eighteenth Century," *Journal of the Economic and Social History of the Orient* 31 (1988): 108.

belonged possessed a low level of openness to outside partnerships. In the short term, this helped them preserve their monopoly in credit markets but in the long term resulted in their eschewing opportunities to act as rulers, instead leading them to act as advisors, first to the *nawabs* and then to the British.

This chapter investigates the trajectory of the Seths in capturing political power in Bengal. First, I detail the social origins of their family and the mercantile occupation of their caste group, as well as the prevailing norms within that group. I then look at their relationships with outside resource holders along the three dimensions of social life, politics, and finance.

The key weakness of the investigation in this chapter is the lack of surviving documentary sources from the Seths' family. What documents have survived (or were accessible in earlier periods but have since been lost) have already been thoroughly analyzed by existing histories and accounts of Bengal in this period. Therefore, the discussion of social dynamics and the evidence for political ascendance are somewhat disconnected from one another, as we cannot look to any family sources for corroboration of the political narrative and the Seths' own thinking about their role in government. Nevertheless, by presenting what is available and considering various pieces of the evidentiary record together, I draw useful inferences about the Seths' family firm and its crucial role in Mughal Bengal's politics.

*Table 4: Summary of Findings*

Organization	Social repertoires	Overall Openness	Commercial Governor?
Jagat Seth banking house	Familial; Ideological	<u>Restricted</u> Strong political ties, moderate economic ties, and weak military and socio-religious ties with outsiders	NO

## Social Repertoires of a Merchant Diaspora

### *Familial and Ideological Repertoires*

For many centuries, one of the oldest and most robust ways of organizing commerce was based on the family and kinship group. Many of the merchants who operated in the medieval and early modern world of Eurasian trade were drawn from specific ethnic or caste communities. For example, the Armenian merchants of New Julfa, a suburb of Isfahan in the Safavid period, used the *commenda* contracting system through which young men acting as agents of wealthy merchants were sent across long distances as the movers of merchandise for the stationary merchant, who advanced credit and provided the merchandise for sale.<sup>2</sup> The *commenda* contracting system, known by other names like *accomendatio* and *collegantia*, was common throughout the Mediterranean and Indian Ocean worlds. A device like the *commenda* was also known in the Arab, pre-Islamic world and carried over into the Islamic period.

Following a somewhat different logic, Chinese family firms were historically based in contracts or trusts. The family structure provided a vocabulary for bringing non-kin into originally family-held partnerships, and a robust culture of contracting made it possible for strangers to come together to perform community activities as varied as paying taxes and keeping up temples.<sup>3</sup> Across various types of family firms in Asia and Europe, then, commercial activities were organized into collectives that built trust between individuals in the group through kinship, caste, and contractual means.

Family companies of merchants and financiers also formed the basis of the firms that supported imperial and provincial rulers in India. Merchants drawn from particular kin networks were able to connect commodity and monetary trades across parts of the country that experienced vastly different climates. This allowed such firms to minimize risk, diversifying the commodity markets and climactic

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<sup>2</sup> Sebouh Aslanian, "The Circulation of Men and Credit: The Role of the Commenda and the Family Firm in Julfan Society," in *Journal of the Economic and Social History of the Orient* 50 (2007): 124-171.

<sup>3</sup> Madeleine Zelin, "The Firm in Early Modern China," *Journal of Economic Behavior and Organization* 71 (2009): 623-637.



conditions in which they did business and thereby giving them a way of coping with seasonal downturns or the eruption of conflict in particular areas.<sup>4</sup>

As a result of being embedded in both social and commercial networks, family firms were both “a profit-making enterprise” and a “constellation of relationships through which honour was acquired and conferred.”<sup>5</sup> For example, social obligations, like the setting aside of dowry money for daughters, supported business imperatives since marriages would bring in the young men who would expand the business in later years. Socially, such relationships could bolster families in bad financial times or help merchants win prestige if their daughters married well-connected young men. Like their Mediterranean and Middle Eastern counterparts, Indian family firms had settled merchants and traveling agents who, for the biggest houses, established permanent branches in other cities.<sup>6</sup>

One of the best-known trade diasporas in India are the Marwaris, who as a kin community, or *jati*, still constitute one of the most prominent kin groups in Indian business today.<sup>7</sup> The Marwari community originated in the state of Marwar, which today forms part of southwestern Rajasthan.<sup>8</sup> Although the origins of their participation in trade are obscure, historians speculate that due to the arid climate in Marwar, some of the locals were perhaps incentivized to earn the majority of their living through commerce rather than agriculture.<sup>9</sup> The adoption of Jainism by certain Marwari caste groups, like the Oswals, created a stronger sense of community through the observation of common holidays, the prohibition of certain foods and activities, shared charitable works, and most importantly, the

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<sup>4</sup> Bayly, *Rulers, Townsmen, and Bazaars*, 398.

<sup>5</sup> Bayly, *Rulers, Townsmen, and Bazaars*, 377.

<sup>6</sup> Thomas A Timberg, "Three Types of the Marwari Firm," *The Indian Economic & Social History Review* 10 (1973): 3-36.

<sup>7</sup> Thomas Timberg, *The Marwaris: From Traders to Industrialists*, (New Delhi: Vikas Publishing House, 1978), 5. “Almost all Indians belong to some group, community, or *jati*, normally endogamous, to which are connected certain stereotypes, traditions, occupational directions, attitudes, and social positions. Many of these communities are, in fact, castes as narrowly defined; but others are separate religions or nationalities, or somewhat more flexible groupings.” Prominent, modern Indian multinational conglomerates, like the Aditya Birla Group, the Bajaj Group, and Mittal Steel (now ArcelorMittal), were founded by families with Marwari roots.

<sup>8</sup> A majority of the families known outside of Rajasthan as “Marwari” actually originated in two smaller regions alone: Shekhawat and Jhunjhunu.

<sup>9</sup> Timberg, *Marwaris*, 108-109.

traversing of pilgrimage routes.<sup>10</sup> This is hypothesized to have led to these communities' contribution to increased urbanization through movement and resettlement near important religious sites.<sup>11</sup>

Due to Marwari traders' location on trade routes between northern India and the western coast, centering on the city of Pali, they were heavily involved in connecting Central Asian trade to the Indian Ocean region in the fifteenth and sixteenth centuries.<sup>12</sup> Perhaps due to their prominent role in this trade network, they were able to act as commodity merchants and financiers simultaneously, since, as traders operating in maritime ports, they would have been one of few groups with access to bullion. During the early Mughal period, the Marwari community expanded out of their homeland and set up points of exchange and residence, known as *kothis*, across the subcontinent with a large migration of families both south and east.<sup>13</sup>

As the Marwari commercial network spread through India, a number of institutions and organizational forms arose to accommodate their geographic mobility as merchants. Some cultural norms included emphasis on traditional gender roles, which ensured women managed the home while men were away, and a strong preference for living and working in joint, or extended, family arrangements, as a source of mutual support in personal and business matters. Other institutions were more generally shared in the kin community: "Wandering traders find, wherever they go, support and housing provided them by their communal fellows. Marwaris, for example, first settled in *basa*,

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<sup>10</sup> Timberg, *Marwaris*, 33-34.

<sup>11</sup> Bayly, *Rulers, Townsmen, and Bazaars*, 170-171. "Jains were another sect which had an impact on town and commercial life quite out of proportion to their numbers...the expenditure of Jain merchant families on temples, bazaars, and dwelling houses made a significant contribution to depressed urban economies. Jains expended over 25 lakhs of Rupees on religious buildings and public facilities in Delhi alone between 1790 and 1820, and this must have supported a large population of masons and day labourers who would otherwise have suffered from the decline of Mughal building in the capital."

<sup>12</sup> James Tod, *Annals and Antiquities of Rajast'han or the Central and Western Rajpoot States of India*, (Calcutta: S.K. Lahiri, 1884), 182. "Palli [Pali] was the entrepot for the eastern and western regions, where the productions of India, Cashmere [Kashmir], and China, were interchanged for those of Europe, Africa, Persia, and Arabia. Caravans, from the ports of Cutch and Guzzerat [Gujarat], imported elephant's teeth, copper, dates, gum-arabic, borax, coco-nuts, broad-cloths, silks, sandal wood, camphor, dyes, drugs, oxide and sulphuret of arsenic, spices, coffee, etc. In exchange, they exported chintzes, dried fruits, *jeeroh* [cumin], asafoetida from Mooltan [Multan], sugar, opium, silks, and fine cloths, potash, shawls, dyed blankets, arms, and salt of home manufacture."

<sup>13</sup> Timberg, *Marwaris*, 41.

collective messes, run by the 'great' firms, or on a cooperative basis, in the major towns. Sometimes the *basa* were run as philanthropies and provided free board to the newcomer."<sup>14</sup>

The same kin-based networks also acted as the basis of early modes of banking and financial transactions. Each *kotbi* acted as a node in a wider network of firms that communicated and transacted with one another to move specie across the subcontinent: "Firms in the system borrowed from each other whenever short of cash, loans were payable on demand, 'even at midnight,' and interest was tallied and settled once a year, with total borrowing offset by total lending."<sup>15</sup> In addition, community-based practices in banking and apprenticeships provided ways for goods and specie to be moved efficiently as well as for junior members to learn the business and collect enough capital to start their own firms and thereby expand the network.<sup>16</sup>

Therefore, when Marwari diaspora came into contact with foreign traders in Bengal, their responsive credit network provided them with a natural advantage: "The organization of credit produced networks of contacts, 'resource groups,' all over the country which could be used for the selling and purchasing of the goods traded in the ports. Foreign firms naturally found themselves dependent on merchants with such networks."<sup>17</sup> Already accustomed to acting as creditors to Indian rulers, the Marwari traders could now also occupy an important, and fateful, position between the Indian political system and foreign trade, which became an increasing source of wealth and prestige for their community from the seventeenth century onwards.

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<sup>14</sup> Timberg, *Marwaris*, 5. "In connection with their specialization in trade, these communities have developed various institutions which enable them to trade more easily. If wives and children are left at home so that males can travel on business, the joint family home provides shelter for family dependents."

<sup>15</sup> Quoted in Timberg, *Marwaris*, 6.

<sup>16</sup> Timberg, *Marwaris*, 6. "Community banks provided accommodation for goods in transit and remittance facilities. Communal customs provided for apprenticeships in which youngsters could learn the techniques of business, and profit-sharing schemes by which they could accumulate enough capital to start their own enterprises. Communal or sometimes inter-communal institutions existed for adjudicating commercial disputes."

<sup>17</sup> Timberg, *Marwaris*, 37.

## The Jagat Seth Banking House in Politics

Unlike other actors considered in this dissertation, the banking house of the Jagat Seths had no robust military force. As a result, its prominence was always reliant on a partner with a powerful military presence that could enforce the banking house's financial monopoly in Bengal with a credible threat of force. At first, in the early 1700s, this coercive power came from the *nawabs* of Bengal; later, in the mid to late 1700s after the Battle of Plassey, coercive authority underpinning the Seths' operations came from the East India Company.

The historical record shows that the Seths seemed unwilling, or perhaps unable, to enter politics on a permanent footing. Seemingly always content to exist in the *nawab's* council but never take on the responsibilities of the provincial government themselves, they display a recalcitrance that the East India Company did not in accepting the post of *divan* from the Mughal emperor in 1765. Why did the Seths not aspire to the position of *divan* themselves, given their strong connections to the mercantile community of Bengal and their own tremendous resources, including great influence in Delhi at the Mughal court?

The key seems to lie in the social norms of their community, which forbade various practices, such as conspicuous consumption, excessive luxury, and wasteful expenditure on buildings, monuments, or other earthly possessions that would glorify the merchant house and its posterity. (Contrast this, for example, to Murshid Quli Khan's removal of his office from Dhaka to Makhsudabad and his renaming of the city after himself, discussed below.) The only permissible form of display for Oswal Jains was in the giving of wealth to temples and charitable causes, which was not self-aggrandizing and therefore not properly in the realm of the political.

Inability to partake in the wealth giving and receiving inherent to Indo-Islamic royal houses would have constrained the Seths from taking too central a role in politics – as historian J.H. Little pithily summarizes in his incredible account of the family: “Their sphere of action was the Council-chamber

rather than the battlefield.”<sup>18</sup> Even within the court of Bengal’s *nawabs*, the Seths, despite being the most powerful players, never took on *de facto* ruling duties, and the coalitions they formed with political elites in the province were constantly on shifting sands. In short, while they exerted powers of commercial *governance*, they never became actual governors, as the other two organizations considered in this dissertation did.

Given the Seths’ relative lack of openness to outsiders, it is perhaps no surprise that their relationships with others were periodically strained and easily broken. Their main usefulness as partners in trade and politics seems to have arisen from the regime’s willingness to support their monopoly of the mint and the ability to set the exchange rates for the province. But when their monopoly was slowly eroded due to war, predation, and the loss of leadership within the family, they proved relatively easy to oust from power by another actor with mercantile influence, namely the East India Company. This was perhaps largely due to the shallowness of their connections outside the Oswal Jain community.

### *Social and Religious Relationships*

In 1652, a Marwari Oswal trader named Hiranand Saho migrated from the town of Nagar, in Marwar, to Patna, in Bihar. He established a *kothi* in Patna, where some of his first customers were British factors who borrowed money for the purchase of saltpetre.<sup>19</sup> Hiranand’s oldest son, Manek Chand, expanded the family business to Dhaka, which was at that time the capital of Bengal, the wealthiest province in Mughal India. Dhaka sat at the confluence of multiple routes of river-borne trade. It is speculated that the value of trade there may have amounted to ten million rupees at the time – the

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<sup>18</sup> J.H. Little, *House of Jagatseth*, 196.

<sup>19</sup> N.K. Sinha, “Introduction,” in *House of Jagatseth*, by J.H. Little, (Calcutta: Calcutta Historical Society, 1960 [1921]), v.

river-borne trade kept over 30,000 boatmen employed and the European companies established their first factories there in the late 1600s in order to procure muslins and other high quality woven textiles.<sup>20</sup>

With Manek Chand's involvement in the Dhaka trade, the family business laid the foundations for becoming a true banking firm. While very little is known about Manek Chand's business as a banker in Dhaka, it is certain that his home and business were located close to the palace of the provincial governor (*naẓīm*) and that he enjoyed some sort of closeness to the imperial administration even before taking on an official role in government.<sup>21</sup> It is very likely that Manek Chand first attracted the attention of Murshid Quli Khan, soon-to-be *divan* of Bengal, while the latter was in Dhaka.

Following the establishment of the family in Bihar and Bengal, others from the Marwari Oswal community established themselves in Dhaka, and eventually, the suburbs and city of Murshidabad. Over time, this community would constitute one of the key communities of economic elites in the region, playing important roles among both the merchant classes and the landed gentry.<sup>22</sup> The Oswal community sat between the larger Jain and Marwari communities, with an ability to flexibly use the resources of either wider network in the pursuit of its own business interests: "While caste was *one* form of social identity which shaped their outlook and social lives, its projection into the sphere of economic organization seems, indeed, at many points to reflect an underlying rationality rather than the perpetuation of the traditional. Thus, businessmen were more likely to create caste-based mercantile organizations where they were recent immigrants into potentially hostile societies, or where state and market institutions were as yet weakly developed."<sup>23</sup>

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<sup>20</sup> Sinha, "Introduction," vii; J.H. Little, *House of Jagatseth*, 8.

<sup>21</sup> Little, *House of Jagatseth*, 10-11.

<sup>22</sup> Timberg, *Marwaris*, 41-42. "A community of fellow Oswals soon gathered in Murshidabad (the capital of the Nawabs-Nazim) and its suburbs Azimganj and Jiaganj. To this day they form one of the elements of the Marwari community in Bengal. Many bought large landholdings and assimilated their lifestyle to that of the rest of the landed gentry of Bengal. Most of them also kept their fingers in banking and trade, where they played some part in the settlement of Assam and the promotion of the jute trade industry in Bengal."

<sup>23</sup> Bayly, *Rulers, Townsmen, and Bazaars*, 587.

Manek Chand and his banking house, therefore, reflected a mix of social logics. Much of the social repertoire that the organization relied upon was based on logics of kinship and fictive kinship. However, due to their later leadership and patronage of Jain spiritual sites, they were also part of a much broader, ideological group, which was insulated from the requirement to seek royal patronage due to their status as a religious minority. This insulation was also a result of norms of piety in both personal and mercantile conduct that set the community apart from others:

Moral peril and economic unreliability were seen to be closely connected. When spies were sent out to ascertain the credit of firms which had applied for the farm of government monopolies, the most damning report was that they were 'expensive people,' indulging in much building and retaining many servants. Family histories and stories told in merchant schools also explain the economic fortunes of different groups largely in terms of the moral conduct of family members or the rapacity of rulers. We often hear of the young men of the family pushing expenditure beyond the 10 per cent of the annual income which is considered safe. Degenerate Muslim or European ways are acquired. The family credit collapses, there is a run on the firm, and starvation looms.<sup>24</sup>

Of course, in practice, such stringent norms of piety and self-denial were moderated so as to make it possible for Marwari Jains and others like them to participate in the courtly, upper class lives of their regime partners, business partners, and other allies: "For merchants necessarily became involved with political power...The service or succor of kings which was enjoined in the law books was constantly reiterated as a goal in merchant family histories. It involved the giving and getting of political honor and tied them yet more closely into *darbars*, or royal courts. The ideal balance between merchant, king, priest, and laborer could not be maintained in practice."<sup>25</sup> Nevertheless, the adoption of kingly behaviors or habits was considered beyond the remit of a merchant. It is also likely that espousing norms and practices of piety and frugality helped merchants evade predatory rulers, when the occasion

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<sup>24</sup> Bayly, *Rulers, Townsmen, and Bazaars*, 467.

<sup>25</sup> Bayly, *Rulers, Townsmen, and Bazaars*, 469.

arose. By pretending to lead a life of ascetic self-denial, tremendously wealthy merchants like the Seths could avoid being characterized as rivals to princes themselves.

The Seths were also generous patrons and used a great deal of their wealth in the upkeep of temples and the sponsorship of communal religious rites, rather than in pursuit of their own power or status. Such outward public charitable works were paired with discipline and secrecy around their commercial business and their intelligence networks, which were based on kinship and religious ties with others. Given the longevity and success that the Seths enjoyed, we can infer that they were adept at translating between their socio-religious communal norms and their role in politics and commerce. In practice, this meant that like other merchant communities, there were likely mismatches between their religious practices, family norms, styles of dress and the life they led outside the home.

Much of the disconnect between the private and public spheres of the Seths' lives can be read along gendered lines. An interesting example of this can be found in a poem of praise that has been preserved in a history of the family about Manek Chand's wife, who is referred to as Manek Devi. While the poem describes the successes and wealth of the men of the family as public actors, it also notes the piety and charity of the women and their leadership in private life, in passages such as the following: "In the morning they worshipped the god Jina and listened to the teaching of pious preceptors whom they served with great regard; all the rules and ceremonial rites enjoined for each day those they duly observed." And: "They spent their money in the seven ways consecrated by the Jain religion and gave relief also to the poor and needy." As well as: "It was during the lifetime of Manik Devi that Jain temples, *dharmshalas* and *poshals* began to be built in Bengal; there were none before for there were few Jains in the country but during her time they came in numbers." Many similar verses stress Manek Devi's devotion to prayer, asceticism, and religious precepts. In



maintaining this sort of home environment, women were expected to be the face of Jain merchant austerity, while men played their prescribed role as aides to kings and princes.<sup>26</sup>

### *Administrative Relationships*

In 1701, Mughal emperor Aurangzeb appointed the talented Murshid Quli Khan as the fiscal governor, or *diwan*, of Bengal.<sup>27</sup> Murshid Quli had gained a reputation as a skilled financial administrator and had already served in the post of *diwan* in Orissa, a neighboring province. When he moved to Bengal to begin his work there, his swift administrative reforms brought him into direct conflict with the emperor's grandson, Azim us-Shan, who was serving as the political governor (*naẓim*) of Bengal.

Since the beginning of his appointment in 1697, Azim us-Shan had taken steps to use the booming trade of Bengal to fill his personal coffers. First, by dividing trade into two streams, one that was royal prerogative (*sauda-i-kehas*) and the other which was open to all (*sauda-i-aam*), he was able to create a monopoly on goods that were brought into Bengal by intercepting ships as they docked in Dhaka and reselling goods later on. This impeded free trade in the province. Second, Azim us-Shan was also known for being open to bribery, having used his position to expropriate and then sell the rights to rent the three villages of Calcutta, Sutanati, and Gobindpur to the British.<sup>28</sup> The prince's overstepping of his prescribed role in the province and his deviation from good governance angered the emperor, who used Murshid Quli's appointment as a means to check his grandson's profligacy.<sup>29</sup>

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<sup>26</sup> Little, *House of Jagatseth*, 30-39.

<sup>27</sup> Salim, *Riyāz us Salatin*, (London: 1902), 254-55, fn 3. The historical sources refer to Murshid Quli Khan as Kartalab Khan and Jafar Khan, as well. The former appears to be his given name while the latter appears to be a title. The name Murshid Quli Khan was also a title. Khan was originally born a Hindu, named Surya Narayan Mishra, in 1660. He was sold as a slave to a Persian aristocrat named Haji Shafi, who worked in the Mughal court, in 1670. He subsequently traveled to Persia and lived there with Shafi until Shafi's death. Five years later, he returned to India and assumed a position in the Mughal bureaucracy in Central India, where he came to the notice of the emperor.

<sup>28</sup> Salim, *Riyāz us Salatin*, 247. See footnote 2.

<sup>29</sup> In 1704, Aurangzeb wrote to his grandson: "Grandson Azim, it is not good to be careless, like myself, of the Generous God and of oppression upon people who are the deposits of the Creator. Especially it is very bad for princes

In retaliation for Murshid Quli's assumption of control over the revenue management and organization of the province, and the consequent curtailing of his own authority, Azim us-Shan used his influence over the military and police forces in the province, especially a special corps of imperial soldiers, to attempt to assassinate Murshid Quli. This led to Murshid Quli relocating his own office from Dhaka to Makhsudabad, which he would later rename as Murshidabad after his own title and with permission from the emperor, signifying his own importance to the administration in Bengal.

With this relocation and the chaos over the succession that followed Aurangzeb's death in 1707, Murshidabad became the capital of Bengal, as Murshid Quli increasingly concentrated all the governing power of the province in his hands.<sup>30</sup> Manek Chand's banking house, which is speculated to have been engaged with the *divan's* office in Dhaka, was part of the retinue of revenue officials, scribes, and legal officials who were relocated along with Murshid Quli's office.<sup>31</sup> This series of events, from 1707 onwards, marked the transition to the *navabi* period of Bengal's history, in which the fiscal governor began to act as the political governor as well, thereby combining all the powers of these two bureaucratic positions in one person.

Murshid Quli's sweeping fiscal reforms during his time as *divan* and then *navab* contributed directly to the increased importance of Manek Chand's banking operations. First, Murshid Quli reorganized the existing land tenure system. Even by the first decade of the eighteenth century, when most of the subcontinent had come under Mughal administrative control, only one to two percent of

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to practice oppression... Whence did you learn this peculiar habit (of oppression) which was neither practiced by your grandfather nor by your father? It is better to eradicate this foolish habit from your mind. I considered you better than other princes (i.e. my sons and grandsons) and I thought you to be a future king." *Ruka'at-i-Alamgiri*, trans. Jamshid H. Bilimoria, (London: Luzac, 1908): 85.

<sup>30</sup> Charles Robert Wilson, *The Early Annals of the English in Bengal*, (London: W. Thacker, 1895), xxii; Salim, *Ri'ayaz us-Salatin*, 254. Technically, Azim us-Shan was still the *nazim* of Bengal between 1707-1712, but he was away for much of that time, fighting on behalf of his father, and then himself, to win the throne as the next Mughal emperor. He is said to have died in battle in 1712. In addition, as early as 1704, Aurangzeb appointed Murshid Quli Khan as deputy *nazim* and established the prince Farrukhsiyar as a titular provincial governor (*subahdar*). This led to the provincial offices all being concentrated in Makhsudabad, which Murshid Quli renamed Murshidabad after receiving his own title.

<sup>31</sup> Little, *House of Jagatseth*, 11-12; Salim, *Ri'ayaz us-Salatin*, 251.

villages in Bengal had been surveyed and had their revenue contribution assessed. This was in comparison to roughly half of villages in the rest of India.<sup>32</sup>

The key to assessing the revenue accurately and transmitting it to the provincial, and from there the imperial, treasury was through reforming the prevailing mode of land tenure holding (*zamindari*). In Bengal, the *zamindari* system was “a pyramidal revenue-collecting and tribute-sharing structure through which *mal* (revenue) and *sayer* (customs duties) were collected for distribution between the Mughal state and the rural classes of high caste origin above the peasantry who manned the subordinate government of the country.”<sup>33</sup> The British and other Europeans in Bengal were also *zamindars* (landholders), since they were responsible for the revenue of the villages they rented for the maintenance of their own factories and employees.<sup>34</sup> Before the reforms, therefore, the Bengal countryside was a patchwork of small and large plots of lands, all of which were maintained by different *zamindars*. Over and above the class of *zamindars* was a group of Mughal officials who held revenue assignments in lieu of salary payments (*jagirdars*). These revenue assignments meant that portions of land revenue were paid directly to imperial officials who then paid a portion to the treasury, rather than land revenue going directly into the provincial treasury.

Murshid Quli Khan began by relocating the *jagir* assignments to Orissa and out of Bengal, allowing the establishment of a direct connection between the provincial government and the *zamindars*. He then enlarged the scope of the area in Bengal that came under revenue assessment and placed the *zamindars* under the supervision of imperial revenue collectors (*amils*). Finally, he concentrated *zamindari* rights in a few reliable landholders and jailed those who were recalcitrant or at risk of

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<sup>32</sup> Ratnalekha Ray, “The Bengal Zamindars: Local Magnates and the State Before the Permanent Settlement,” *The Indian Economic & Social History Review* 12 (1975): 267.

<sup>33</sup> Ray, “Bengal Zamindars,” 270.

<sup>34</sup> Walter Firminger, “The Coming of the English to Bengal, 1630-1698,” in *Historical Introduction to the Bengal Portion of The Fifth Report*, (Calcutta: R. Cambray and Co., 1917), lxviii.

defaulting.<sup>35</sup> This set up a system in which the few remaining *zamindars* were incentivized to expand their landholdings through the independent use of force against neighboring landholders over time: “As a result of this process of agglomeration by private warfare and public favoritism, at the time of the British occupation nearly 60 per cent of land revenue in Bengal was paid by 15 large *zamindaris*, comprising 615 *parganas* [districts] out of 1256 in the province.”<sup>36</sup> These reforms resulted in an increase in the revenue collected and increased Murshid Quli’s prestige in Delhi.<sup>37</sup>

The centralization of revenue collection and administrative control directly benefitted Manek Chand’s banking house, since all the payments which *zamindars* made as their tax assessments passed through his firm. At this time, tax revenue due to Delhi was most likely still transferred in coin from Murshidabad to the Mughal treasury. However, due to the administrative centralization of the province, the treasury in Murshidabad was the sole point of collection and transfer: “There were in those days no treasuries scattered over the country in the several Districts.” Moreover, Manek Chand’s firm played a crucial role in the social organization of revenue collection, combining administrative practice with new social customs: “The *zamindars* collected the revenue and remitted it to the viceregal treasury at Murshidabad. Every year, at the time of *Punya*, or annual settlement of the revenue, a custom introduced by Murshid Kuli Khan, all the *zamindars* assembled at the bank of the Seths, in order to settle their accounts, adjust the difference of *batta* or discount, and negotiate for a fresh supply of funds.”<sup>38</sup>

By 1712, Manek Chand was considered a close advisor to Murshid Quli and a permanent member of the *nawab*’s council. He was critical in obtaining up-to-date information concerning the succession

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<sup>35</sup> Ray, “Bengal Zamindars,” 271-273.

<sup>36</sup> Ray, “Bengal Zamindars,” 273-274.

<sup>37</sup> Salim, *Riyaz us-Salatim*, 256. “Murshid Quli prepared a perfect Revenue-Roll, collected the rents in kind, season by season, and also the land-revenue, *sair* taxes, and fees from agricultural lands. And effecting retrenchment in the Public Expenditure, he remitted revenue, double the former amount, into the Imperial Treasury.”

<sup>38</sup> William Wilson Hunter, *A Statistical Account of Bengal*, Volume 9, (London: Trubner & Co., 1875-77), 256. In this context, “*batta*” refers to the fee, or cut, that the zamindar would take of the revenue in return for his services.

struggle in Delhi through his financial network comprised of other Marwari merchants.<sup>39</sup> It is also likely that he helped Murshid Quli Khan purchase confirmation of his office from the new Mughal emperor following Aurangzeb's death, using the offices of his kin, who were bankers in Delhi.<sup>40</sup>

The resilience of this network can also be inferred, for example, in later periods when Manek Chand's nephew Fateh Chand acted swiftly to decide the succession in the aftermath of Murshid Quli Khan's death. Murshid Quli had preferred that his grandson, Sarfaraz Khan, succeed him as *nawab*. However, it was Sarfaraz's father, Shuja ud-Din, Murshid Quli's son-in-law, who became the next *nawab*, even surprising his own son at the swiftness of his arrival in Murshidabad despite having to journey to Bengal from his official post in Orissa:<sup>41</sup> "Fatechand did not exert his influence in Delhi to obtain an imperial *farman* [letters patent] for Sarfaraz, Murshid Quli's grandson. But he supported the cause of Shujauddin who succeeded Murshid Quli in 1727 and this facilitated the new *nawab*'s confirmation by the imperial authority. Shujauddin was therefore more generous than Murshid Quli in his favours to Fatechand."<sup>42</sup> Records of the time indicate that Shuja ud-Din was confirmed immediately as governor of the province, having received patents from Delhi even before his arrival in Murshidabad, a feat that would not have been possible without the Seths.

Shuja ud-Din's reign as *nawab*, between 1727 and 1739, was another period of prosperity and power for the Seths. Shuja was recognized as a bringer of peace and stability by his contemporaries,

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<sup>39</sup> Little, *House of Jagatseth*, 17-18. In fact, Little reports that in order to preserve peace at court in Murshidabad, Murshid Quli Khan forbade anyone from reporting that Azim us-Shan, who was still technically *nazim*, had died in battle. This, it is said in Little's sources, was done on pain of death and plunder, "which declaration is yet a terror to the merchants that they dare not disclose the contents of their private letters."

<sup>40</sup> Little, *House of Jagatseth*, 14.

<sup>41</sup> Gholam Husein Khan, *Siyar ul Mutakherin*, 379-380. Regarding the speed of Shuja ud-Din's arrival in Murshidabad, the author notes that: "A secret post was also established betwixt Cuttack and Dehli, not only for the sake of receiving, as soon as possible, the desired patents, but also for supplying daily intelligence, both from the capital and Moorsshedabad. At last a letter came, informing Shuja-khan that Jaafer-khan had hardly five or six days to live. On this he instantly set out from Cuttack, taking with him Alla Verdi-khan, and such number of adherents as thought sufficient, and proceeded hastily to Moorsshedabad, sometimes by water, and sometimes by land, just as opportunity served...It is singular that his son, Ser-efraz-khan, who was residing at a country-seat about two miles from the city, in the fullest confidence that he should be recognized as the undoubted heir of his grandfather Jaafer-khan, knew nothing of what had passed in the city."

<sup>42</sup> Chaudhury, "Merchants, Companies and Rulers," 95.

especially because of his restoration of the privileges of the jailed and exiled *zamindars*.<sup>43</sup> Fateh Chand constituted one of Shuja's closest three councilmembers and was perhaps the most powerful member of court, especially as banking and mercantile interests began to have decisive influence in the province.<sup>44</sup> During Shuja ud-Din's time as *nawab*, the three provinces of Bengal, Bihar, and Orissa were linked together administratively, expanding the reach and revenue of the province.<sup>45</sup>

However, the mid-eighteenth century also brought its share of challenges. During the reigns of Shuja ud-Din and his successors, the Seths came into numerous conflicts with the British, who were increasingly assertive in commerce in the region and whose own business activities created opportunities for Indian and European traders who were not part of the Seths' monopoly on indigenous trade networks. A major source of tension came about through the question of the East India Company's liability for its Indian agents (*gomashtras*). This was especially true because the Company did not have a great deal of control over either its own factors or its Indian agents. The British regularly allowed their factors to conduct trade privately in order to recompense them for the low salaries they were paid. Moreover, the trading privileges under which the Company conducted its business, which were allowed to them by imperial letters patent (*farman*), were illegally extended to the private trade of Company employees, which increasingly included Indians in addition to Europeans

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<sup>43</sup> *Siyar ul-Mutakherin* 382. "Shujah-khan, after having firmly established his government, released such of the zemindars and other landholders as he found on enquiry free from crime or fraud; as to the others, he ordered them to be all brought into his presence, and to form a circle round his person: this being done, he asked them, how they would behave in future, should he release them. These poor people, who had been for years languishing in dungeons, surprised at this address, burst forth into encomiums on his goodness, and after supplicating heaven to grant him a long and prosperous government, promised that henceforward they would pay the revenue with punctuality, and would prove obedient and dutiful servants."

<sup>44</sup> *Siyar ul-Mutakherin*, 291-292; Calkins, "Formation of a Regionally Oriented Ruling Group," 805.

<sup>45</sup> *Siyar ul-Mutakherin*, 295-296. Shuja ud-Din's stepbrother was made *nazim* for Orissa while Shuja ud-Din's trusted advisor, Alivardi Khan, was made *nazim* of Bihar.

of other nationalities.<sup>46</sup> Supervision of these traders was very scant, even sometimes resulting in murderous quarrels.<sup>47</sup>

In one particularly egregious instance, an East India Company agent named Kantu defaulted on his debts to both the Company and Fateh Chand, among other creditors, resulting in a legal standoff between the Seths and the Company. Fateh Chand asked that the Company pay Kantu's debts and even offered to pay the other creditors with whom Kantu had run up debts, asking in return that the Company retain Kantu in their employ so that through his commission, the debt he owed to the Seths could be realized. However, the Company attempted to avoid the obligation, claiming that they could not employ an agent who had incurred debts without their knowledge.

Fateh Chand then took the matter to Shuja ud-Din, who placed the Company's legal representatives under house arrest. The Seths' immense influence also ensured that the Company could not secure new agents and that the *nawab's* other councilors could not represent their interests at court. In one revealing exchange, a close councilor reported to the Company that Fateh Chand's "estate was esteemed as the King's treasure" and that the *nawab* was therefore motivated to make sure that matters were resolved in the Seths' favor.<sup>48</sup> For a time, this episode resulted in Fateh Chand refusing to lend to the British.

Shuja ud-Din passed away in 1739, just as Nader Shah's invasion of Delhi shocked North India and the Mughal establishment. Although Shuja ud-Din appointed his son, Sarfaraz Khan, as his successor, the latter's reign was short-lived. Shuja ud-Din's once-advisor, Alivardi Khan, soon deposed and killed Sarfaraz. Shuja ud-Din's council of three, which included Alivardi Khan's brother as well as

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<sup>46</sup> N.K. Sinha, *Economic History of Bengal, Vol. 1*, 64-67. Sinha also describes in his introduction to Little's volume on the Seths that: "As all English trade was represented at the darbar as the Company's trade in order to secure immunity from search and customs charges the Jagat Seth house was not prepared to differentiate between two categories of debts, one incurred in private trade and the other in public trade" (x).

<sup>47</sup> Little, *House of Jagatseth*, 73-74.

<sup>48</sup> A recounting of the entire episode, and the consequences for the British, can be found in Little, *House of Jagatseth*, 62-73.

Fateh Chand, were instrumental in paving a pathway for Alivardi Khan to assume the rule of the province. While accounts vary as to why Sarfaraz Khan's own ministers turned against him, the one common thread appears to be that the council of three did not find their own interests to be allied with the new *nawab* and found him to be lacking as an administrator, especially given a shortfall of revenue that was expected due to the military conflicts that were engulfing the province.<sup>49</sup> This seems to have been exacerbated by the turmoil in Delhi following the withdrawal of Nader Shah and the restoration of a much-weakened Mughal emperor to the throne.<sup>50</sup> Because Mughal administrative norms did not require hereditary succession, even though this was becoming increasingly commonplace within provinces in the period, the idea of asking an aristocratic bureaucrat like Alivardi Khan to assume power was not unusual.

Alivardi Khan's reign was stable and relatively prosperous, but he was often away from Murshidabad on campaigns fighting the Marathas, whose excursions into northern and northeastern India were a grave threat to commerce and peace in the region and caused many merchants to flee Murshidabad for locations further to the east, especially Dhaka.<sup>51</sup> This resulted in the provincial

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<sup>49</sup> Little, *House of Jagatseth*, 112. "By the unanimous opinion of historians Sarfaraz Khan was an incompetent ruler. It was probably due to this fact that Fateh Chand had not supported Murshid Kuli Khan when he wished his grandson to succeed him. The state of affairs was far more serious at the time of Shuj-ud-daula's death. Delhi had been captured by Nadir Shah and the Empire was tottering to its fall. The Mahrattas were approaching. Perilous times were at hand and Sarfaraz Khan had dismissed and alienated his most capable ministers. Had Fateh Chand supported Sarfaraz Khan he would have promoted his own ruin and the ruin of the country."

<sup>50</sup> Salim, *Riyaz us-Salat*, 308-310. Little summarizes the situation in the following manner: "During his father's lifetime Sarfaraz Khan had his own household, with his own officers, civil and military. To some of these men Sarfaraz Khan had become greatly attached. When their master became Nawab they had great expectations of power and wealth but their hopes were disappointed when Sarfaraz Khan, in obedience to his father's last wishes, confirmed Haji Ahmed, the Rai Raian Alam Chand and Jagat Seth Fateh Chand in office. This was not all. To the pangs of disappointed ambition was added the bitterness of baulked revenge...They clamoured against the appointment of the three ministers and gave Sarfaraz Khan no peace until he had dismissed Haji Ahmad and his two friends from office." As a result: "Sarfaraz Khan had made some powerful enemies." *House of Jagatseth*, 104-105.

<sup>51</sup> Salim, *Riyaz us-Salat*, 361. "To sum up, for twelve long years the fires of war and slaughter kindled between the Mahrattas and Mahabat Jang, and the Mahrattas did not retire without levying the Chauth...Mahabat Jang at last concluded a peace with the Mahratta freebooters, agreeing to pay the latter Chauth for the three Subahs, and through the medium of Maslihu ud-Din Muhammad Khan, nephew of Mir Habib, and Sadr ul Haq Khan, fixed the basis for the terms of peace and the settlement of the Chauth. In lieu of the payment of the Chauth, he assigned the revenue of Subah of Orissa to the Mahrattas, and appointed Sadr ul Haq to be its Administrator and Governor." Mahabat Jang was a title awarded to Alivardi Khan for his defense of Mughal lands against the invading Marathas.



government demanding more revenue through both tribute and tax. The Jagat Seth banking house was restored to its position of power within the government, however, and also managed to survive the commercial and financial disturbances of the period, including the greater pressure exerted on them by government for revenue.<sup>52</sup>

Relations between the Seths and the British were also on better footing during this time, and their reliance on the Seths was even greater than in previous periods, perhaps due to ongoing conflict and the disruption this wrought on British trade. Fateh Chand lowered the interest rates for loans to the Company from twelve to nine percent and also represented their interests at court on occasion.<sup>53</sup> However, privileges to mint coins remained firmly in the hands of the Seths.

In March 1742, Murshidabad fell under the threat of Maratha invasion once again. Fateh Chand removed his family and money in advance of the Maratha entrance into the city, but the invading force is recorded as having targeted the banking house and carried away the money that was remaining within. While this in and of itself did not perturb Fateh Chand, the conduct of certain soldiers, likely mercenaries attached to Alivardi Khan, who also plundered the bank, induced Fateh Chand not to return to Murshidabad for several months. When he finally did return to Murshidabad, he left the bulk of his capital with his sons and grandsons, who were also his business partners, in Dhaka.<sup>54</sup>

Fateh Chand passed away in 1744 and left the business to his grandsons, Mahtab Rai and Swaroop Chand. For some years afterwards, the commercial situation of the province had not yet improved and merchants hoping to restart their business could not find money to do so: “In the latter half of 1747 the English merchants at Cassimbazar were in want of funds, those at Dacca were clamouring

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<sup>52</sup> Little, *House of Jagatseth*, 131, 137. “The extortions of Alivardi Khan had driven most bankers and rich merchants to hide their wealth and profess poverty so that rupees became very scarce in Bengal. But the vessel of the Seths survived the storm in which so many were submerged though even they had to furl their sails, partly from the great scarcity of money, partly to keep the demands of the government upon them within bounds and partly owing to the many calls upon them from all parts of the province.”

<sup>53</sup> Little, *House of Jagatseth*, 114-115, 121.

<sup>54</sup> Little, *House of Jagatseth*, 121-122.

for a lak of rupees while the Nawab was also in the greatest distress for want of money to pay his troops. From these known facts it is evident that the demands on the Seths from all parts of the province must have been enormous and it is not surprising that their terms of doing business became more stringent.”<sup>55</sup> The shortage and demand for money persisted through this period, especially since conflict with the Marathas was ongoing. Finally, in 1751, Alivardi Khan reached a settlement with the Marathas by ceding Orissa, and consequently the rights to the land revenue, to their administration.

Despite these changes in Bengal’s administration and commercial life, the Seths seemed to have retained not only their prestige but also their tremendous wealth, even until the end of Alivardi Khan’s reign in 1756, when he passed away. In fact, Mahtab Rai and Swaroop Chand may even have been wealthier than their grandfather, and it seemed to observers that everyone in commercial life in Bengal was connected to their family: “All the bankers of their time in Bengal were either their factors or some of their family and thousands of these agents acquired such fortunes in their service that they were able to purchase large tracts of lands and other possessions.”<sup>56</sup>

The Seths and other merchants, including the European companies, were therefore perhaps surprised when Alivardi Khan left the succession in the hands of his grandson, Siraj ud-Daula, who had distinctly unpleasant relations with a wide swathe of Bengal’s mercantile and political elites. An important chronicler and historian, who was also a relative of the *nawab*’s family, portrays Siraj as avaricious, cruel, temperamental, vain, and intolerant.<sup>57</sup> Whatever the truth of his character, Siraj ud-Daula, like Sarfaraz Khan before him, began his rule by alienating the powerful men at court who were key to sustaining the commercial and military functions of the province. Chief among these were

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<sup>55</sup> Little, *House of Jagatseth*, 142.

<sup>56</sup> Little, *House of Jagatseth*, 151.

<sup>57</sup> Husain writes: “This is so far true, that he was observed to be low spirited and melancholy, whenever he fell short of opportunities to commit his usual excesses and enormities; and they became so customary to him, that he acted all along without a grain of remorse, or a spark of recollection. Making no distinction betwixt vice and virtue, and paying no regard to the nearest relations, he carried defilement wherever he went; and like a man alienated in his mind he made the houses of men and women of distinction the scenes of his profligacy, without minding either rank or station.” *Seir Mutaqberin*, Vol. 2, 122.

Mahtab Rai, who was now the Jagat Seth, and his cousin Swaroop Chand, who had been given the title of *maharaja*, perhaps in reference to his own role as a wealthy landholder. The Seths' main concern at Siraj's accession seemed to be the security of their property and treasury, which they feared the new *nawab* would seize from them by force. This was largely due to the fact that Siraj had embarked almost immediately on a campaign of seizing territories and treasures by force, both from his own family members as well as the British, who he perceived (perhaps rightly) as his foremost rivals in the region. It is unclear whether this was due to personal ill-will or to political reasoning.<sup>58</sup>

The Seths attempted to mediate between Siraj ud-Daula and the British, but the *nawab* refused to listen to their entreaties and forced them not to interfere in his subsequent military actions.<sup>59</sup> He backed the French in their conflict with the British in the battle of Chandernagore (Chandannagar) and successfully sacked Calcutta, making away with the goods and money that were contained within the dwellings of the various merchant communities that lived under British protection there.<sup>60</sup> During this period of time, the Seths hired a personal guard to protect their house and possessions: "From the day that Siraj ud-Daula ascended the *masnad* [throne] they had been forced to walk warily, continually haunted with the dread that the Nawab would one day find an opportunity of seizing them and taking possession of their vast wealth. Hence it was that they employed a guard of 2,000 men which watched over the house where they and their families lived and accompanied them when they went on pilgrimage. At Murshidabad...it was an invariable rule never to suffer the two of them to go

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<sup>58</sup> In one letter that is preserved in Little's account, Siraj ud-Daula states that the British had abused the trading privileges granted to them, unlawfully fortified their factory in Calcutta, and unlawfully sheltered subjects of Bengal who fell under the *nawab's* jurisdiction. It is likely that all these accusations were true, but that they don't capture the entire truth of the matter. See pp. 159-160 in Little's *House of Jagatseth*.

<sup>59</sup> Little, *House of Jagatseth*, 163. "Jagat Seth Mahtab Rai and his cousin also visited Siraj ud-Daula who had taken up his quarters at the house of Mr. Collett, the second at Cassimbazar. They represented to him that the English were a colony of inoffensive and useful merchants and earnestly entreated the Nawab to moderate his resentment against them."

<sup>60</sup> The historical sources indicate that Siraj feared an alliance between his wealthy and influential maternal aunt, Ghaseti Begum, and the British, along with a coalition of disaffected noblemen, who were ousted from their court positions following Siraj ud Daula's seizure of his aunt's home and wealth. See, Husain, *Seir Mutaqherin*, Vol. 2, 185-190.

out at the same time nor did one ever take out his own children of the other.”<sup>61</sup> However, there is no indication that this corps of armed men were ever used for any purpose other than personal security, and even then these guards may have failed in their duty, as later events clearly show.

All further attempts at mediation failed. Siraj’s treatment of the Seths grew worse – one rumor had it that when the Seths were unable (or unwilling) to raise money for Siraj’s war efforts against his rival and cousin, Shaukat Jang, the *nawab* struck Mahtab Rai in the face and jailed him.<sup>62</sup> Soon afterwards, the British, led by Robert Clive, recaptured Calcutta, and Siraj was forced to negotiate a peace with the British. These events led Siraj ud-Daula to seek the favor of the Seths once again, but they were not disposed to side with the *nawab* any longer.<sup>63</sup>

In April of 1757, Robert Clive who had already emerged as a strategist and war hero in battles against the French, appealed to the Seths to reconcile the Company to the *nawab*, while asking them to resume their trade with the Company in Bengal by sending their agent (*gomashtha*) to Calcutta:

Being sensible how much the good of society and the happiness of mankind is promoted by the benefits of trade it has ever been my desire that it should flourish and be secure from danger even in the midst of war, as a proof of it our great bankers on the coast have accompany’d our camp and carried on their business securely during all the war. Now that we are again blest with peace in the province it is becoming the character of such men as you...to study and pursue every method to repair by the encouragement of trade the damage and misfortunes suffer’d by this country from the late troubles, and as you have long been in friendship with the English, I could heartily wish for the continuance of it as formerly...I hope you will give us all the assistance you can in getting our business made clear, and assure the Nabob I shall always be ready to save him with my whole army.<sup>64</sup>

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<sup>61</sup> Little, *House of Jagatseth*, 221.

<sup>62</sup> Little, *House of Jagatseth*, 165.

<sup>63</sup> Little, *House of Jagatseth*, 172-173. “When Siraj ud-Daula returned to Murshidabad after the conclusion of the peace he changed completely his attitude towards the Seths. Hitherto his belief in his star had been so overweening that he never imagined that the bankers were necessary to him. He had treated them with disrespect and even with violence. But the skirmish at Budge-Budge, the recapture of Calcutta, the attack on his camp...and the fact that the English would have no one but the Seths as mediators had taught him that they were men to be reckoned with. They had become, says Law, sponsors, as it were, for the conduct both of the Nawab and the English.”

<sup>64</sup> IOR/H/193, No. 118, “Col. Clive to Juggatseat, Dated 16<sup>th</sup> April 1757.”

If Clive intended this as a veiled threat and intended the Seths to convey the Company's anger at having their factors seized and their trade disrupted, it is also clear from subsequent events that the Seths saw in the Company an alternate center of military power to use against the *nawab*.

As had happened before, the Seths allied themselves to other principal men of court who had lost their positions in order to find an alternate candidate for the position of *nawab*, especially after their first choice, Shaukat Jang, died in battle. The candidate that this coalition eventually settled on was Mir Jafar, who had been a military commander under Alivardi Khan and was perceived as pliable to the interests of the powerful men at court.<sup>65</sup> The Seths were again instrumental in convincing the British to use their corps of soldiers, which had only recently defeated the French and thereby evidenced its usefulness, in the service of replacing Siraj: "Affairs being now come to that point; and every one of the Grandees tending to one common centre in view, which was to remove Siraj ud-Daula; every one pointed his efforts that way; every one, firmly persuaded that the concurrence of the English was a necessary piece to the completion of his wishes, was exhorting them to break with that Prince. Jagat-set was one of the foremost of them, and he had also the best opportunities. By the means of his mercantile agent, Omichand, one of the principal bankers of Calcutta, he was perpetually exciting the English to a rupture." The coalition also paid the British handsomely for their intervention, offering up to thirty million rupees.<sup>66</sup>

The consequence of this shadow coalition, led by the Seths, was the historic Battle of Plassey, in which the Company's army was victorious against Siraj ud-Daula, who was killed as he fled back to

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<sup>65</sup> Husain, *Seir Mutaqherin*, Vol. 2, 193. Husain notes that much of the abuse suffered by the erstwhile councilors was heaped on them by Siraj's new officers. In reference to one such man, the author writes: "He ill used Raja Dulub Ram also, as well as many others, all Commanders of character, all deserving the utmost regard, and all thoroughly estranged from him by his harsh language, and his shocking behavior; nor were the principal citizens of Murshidabad better used, Jagat Set especially. All these were tired of living under such an administration, and wished no better than to be rid of such a government, by Siraj ud-Daula's death; so that whenever they chanced to perceive any appearance of discontent anywhere, or any hatred against the present Government, they would send secret messages to the party, with exhortations to contrive some mode of deliverance; under promise of their being heartily and effectually supported."

<sup>66</sup> Husain, *Seir Mutaqherin*, Vol. 2, 228-229.

Murshidabad from the battlefield. This resulted in Mir Jafar becoming *nawab* and the temporary restoration of the Seths and the coalition of ousted elites to which they belonged to court. However, Mir Jafar and his successors could be little more than client rulers of the British, dependent as they were on the Company's army for the security of their rule. This, combined with the overwhelming influence of former elites at court, including the Seths, led both Mir Jafar and his successor and son-in-law, Mir Qasim, to be highly suspicious about factions and conspiracies at court.

### *Economic Relationships*

In the realm of finance and commerce, the Seths were unrivalled by any other actors in early-eighteenth century Bengal. By the time of his death in 1714, Manek Chand had personally established branches (*kothis*) of the family business in Calcutta, Dhaka, Patna, and Varanasi, as well as probably at Hugli, and he was the instigator for the creation of a mint at Murshidabad.<sup>67</sup> He had also received imperial favors from Delhi in return for his financial assistance to a cash-strapped Farrukhsiyar, who became emperor in 1712.<sup>68</sup> This included the appellation of the title "Jagat Seth," meaning "bankers to the world," and set the family apart as distinct from other bankers in the region by elevating them to a rank of nobility.<sup>69</sup>

The family reached the height of its power under Fateh Chand, Manek Chand's nephew who had worked closely with his uncle, learning the business in Murshidabad and Dhaka from an early age. During his tenure, the bank received its income from three main streams: first, control over two thirds of the province's revenue collection; second, their control over exchange rates, interest rates, and

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<sup>67</sup> Little, *House of Jagatseth*, 28.

<sup>68</sup> Little, *House of Jagatseth*, 26-27.

<sup>69</sup> Little, *House of Jagatseth*, 27, 48-49. "The translator of the Seir Mutaqherin, himself a European, writing in 1786, considered it necessary to call the attention of his readers in a footnote to the fact that Jagat Seth was a title and not a name. At Murshidabad, however, the title was scrupulously used by the Nawab and his officers and there was no misunderstanding there of the high rank attached to it. The holder held a position of hereditary dignity superior to that of any zamindar in Bengal and his place at the Durbar was on the left hand of the Nawab."

lending; and third, their monopoly over the mints in Murshidabad and Dhaka.<sup>70</sup> I will look at each of these in more detail to determine how they contributed to the banking house's political influence.

One of the main sources of revenue to the banking house was through loans to *zamindars* who could not make their payments, which guaranteed that the provincial treasury would receive its tax revenue even if individual landholders were unable to meet the assessment in a given period.<sup>71</sup> The interest collected on these loans could be substantial, amounting to up to twelve percent.<sup>72</sup> As revenue pressures increased on *zamindars*, money-lenders stepped into the breach, hoping to seize control of the prestigious *zamindari* titles if any of these landholders defaulted. As a result, money-lending operations tended to keep pace with the size of landholdings, and the Jagat Seth banking house, as one of the largest operations, acted as guarantor to the largest *zamindars*.<sup>73</sup> In this way, the firm acted as both a private lender as well as a public creditor.<sup>74</sup>

Secondly, in Fateh Chand's time, unlike in his uncle's, the tax revenue due to the imperial treasury in Delhi was remitted through the banking house's network of agents and their own branch in Delhi. The fact that this system did not rely on physical transport of money was its key advantage, especially since north-central India was convulsed with battles that impeded the security of convoys. By using the *bundi* system of bills of exchange, the danger that whole convoys would be seized by combatants was avoided.<sup>75</sup> This network also made the provincial government dependent on Fateh Chand to an

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<sup>70</sup> Sushil Chaudhury, "Merchants, Companies and Rulers: Bengal in the Eighteenth Century," *Journal of the Economic and Social History of the Orient* 31 (1988): 92.

<sup>71</sup> Philip B. Calkins, "The Formation of a Regionally Oriented Ruling Group in Bengal, 1700-1740," *Journal of Asian Studies* 29 (1970): 804.

<sup>72</sup> Chaudhury, "Merchants, Companies and Rulers," 96.

<sup>73</sup> Calkins, "Formation," 804.

<sup>74</sup> Sinha, "Introduction," in *House of Jagatseth*, ix. "The house of Jagat Seth received land revenue payments made by zamindars and amils (collectors). Other government collections were also received in its houses of business. To this house was also entrusted the task of remitting the annual tribute to Delhi. Between 1728 and 1740 this was partly paid by drafts on their Kothee at Delhi. This house therefore functioned in Bengal as the state bank."

<sup>75</sup> Little, *House of Jagatseth*, 14. "During the government of Murshid Quli Khan the treasure was conveyed to Delhi in waggons in charge of an armed escort. Obviously when times were troublous, there was a great risk that the convoy would not reach its destination. Azimu-sh-shan seized the tribute in 1707 when the war between the sons of Aurungzeb broke out. Again, in 1712, when there was a similar fight for the succession, it was captured by Farrukhsiyar and in 1720 it was delayed for a long time at Patna owing to a revolt at Allahabad. All these dangers were avoided when Manik

extent that was unprecedented, given that information from the imperial capital often reached him before it came to the government.

Moreover, as a result of the firm's far-flung operations, Fateh Chand often had cause to be in Delhi himself. One such story relates that the imperial government called on Fateh Chand for capital when an acute shortage of specie in periods between 1719 and 1722 created financial turbulence in Delhi and resulted in the halting of several government activities. This may have resulted in an early instance of the use of *bundis* as paper money, rather than their regular use as instruments of credit.<sup>76</sup>

Finally, monopoly control of the mints at Murshidabad and Dhaka gave the Jagat Seth banking house one of its most powerful levers over politics in the province. A number of rights and privileges flowed from their control over the mints, including the right to set the exchange rate between currencies (both other Indian currencies as well as foreign ones), the ability to control the fee (*batta*) assessed for the service of exchange, and the right to exclude others from minting or exchanging their own coins.<sup>77</sup> This was an especially acute problem for the British and the Dutch, who petitioned the *nawab* numerous times for the right to use the mint but were denied each time. The Dutch attributed this to the *nawab*'s deep reliance on the banking house, and the Seths' ability, therefore, to set government policy regarding coinage and currency exchange as they pleased.<sup>78</sup>

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Chand (according to the family tradition) but more probably his successor remitted the tribute by means of drafts drawn on him by the family firm at Delhi."

<sup>76</sup> Little, *House of Jagatseth*, 47. "A tradition has been handed down in the family to the effect that Fateh Chand received the title as a reward for services rendered to the Emperor. There was a famine in Delhi and great was the suffering of its inhabitants. Fateh Chand who was in the city at the time, appeared at Court where he was received with honour and undertook to relieve the people from their distress. He seems to have recommended the temporary issue of some kind of paper money for he requested the Emperor to announce publicly that *bundis* would be placed in circulation in the city...it is difficult to understand how the circulation of *bundis* could avail in such a crisis. But if the famine was of a financial nature this fact in the story becomes of the greatest significance and we know there was an exceptional dearth of money in northern India at the beginning of 1722."

<sup>77</sup> Chaudhury, "Merchants, Companies and Rulers," 93; Sinha, "Introduction," in *House of Jagatseth*, ix. "The *batta* on re-coinage was a source of considerable profit to the house. The charge of stamping the rupees afresh was reasonable and the profit which the house derived after meeting the government demand was very considerable...But there was no currency anarchy because the Jagat Seth house could control the operations of the shroffs. The house remained the sole purchaser of all the bullion imported to Bengal."

<sup>78</sup> Sinha, "Introduction," in *House of Jagatseth*, viii. "Fateh Chand could provide the Nawab's government from time to time with enormous sums of money and by this means, as the Dutch put it, he could induce the government to take



At other times, the Seths acted as brokers between the European companies and the *nawab's* government, often carrying messages between the two, and they also acted as lenders to the European companies, who relied on them for receiving funds for the year's "investment" for the purchasing of goods in the hinterland markets. Between 1723 and 1727, for example, Fateh Chand mediated between the *nawab's* government and the British on numerous occasions. Many of these cases involved translating local customs, like the paying of tribute (*nazrana*), into terms acceptable to the British, who perceived the custom of giving gifts and money to rulers in return for their patronage and goodwill as a form of bribery.<sup>79</sup>

In addition, the Seths were creditors to a set of local commodity merchants who acted as middlemen between the European companies and the commodity producers. The prevailing practice of the time was for the European companies to advance an agreed upon amount to their middlemen, which the British referred to as the "investment" and which was known locally as the *dadni* system. The middlemen would then purchase the entirety of the goods required and receive the remainder of payment for these goods upon delivery. This resulted in a great deal of contention between the companies and the local merchants, especially as to the proportion of payment that would be handed

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such measures and pass such regulations for the rate of money exchange as would favour the house. All the efforts of the English and Dutch by means of presents to the under-officers and leading amirs to obtain the use of the mint failed."

<sup>79</sup> Little, *House of Jagatseth*, 54-57. In one episode, Little narrates: "In December 1726 another big dispute, in which Fateh Chand played a prominent part, broke out between the Nawab and the English. Abdul Rahim, one of the Nawab's officers – a man who had acquired an unenviable notoriety throughout Bengal for his cruel treatement of those zamindars who failed in their payments of the revenue – suddenly demanded from the English an additional rent of Rs. 44,000 for their Calcutta towns and followed up his demand by seizing their wakil at Murshidabad and by threatening to treat all their merchants in a similar manner." This crisis was finally resolved when Fateh Chand, via his agent, suggested to the British that although he "had spoke a great deal in our favour; but found he (the Nawab) would never be brought to relinquish all though he might remit some part, and at the same time hinted that for thirty thousand rupees a perwanna might be obtained to prevent any like demand for the future to which we replied we would advise the Chief, etc. in Calcutta thereof and then give an answer.' On receipt of this letter the Calcutta Council agreed to empower Stephenson [president of the council] to offer the Nawab fifteen or twenty thousand rupees on condition that he would permit them to re-settle the factory at Malda, build a new house at Dacca, and finish the house they were building at Hugli, for he was to acquaint the Nawab, they could not consent to give away the money of their Honourable Masters unless they obtained some benefit by so doing and it would be better their trade should be entirely stopped than that they should tamely and easily comply with every unjust and unreasonable demand made upon them." This deal was brokered entirely by Fateh Chand.

over in advance. Often, commodity merchants would form cartels to force European factors to invest at the agreed upon proportion – usually near seventy percent of the total amount due.<sup>80</sup> The Seths acted as creditors on both sides of this trade, lending to local merchants and European companies alike.

As a result of occupying these various functions, the Jagat Seths combined a number of roles – they acted as treasurers of the state’s revenue, performed tasks associated today with a central bank, like minting and exchanging currency, and acted as investment bankers, providing capital to private groups, including the European companies, for their own business activities. As virtual monopolists, they were able to control other merchant financiers, especially by setting the exchange rates, but this also led to the exclusion of those not connected to their network: “From Dutch records we also learn that all money-changers in Bengal and many in Bihar, who were not connected with them, became bankrupt or were brought to bankruptcy. The monopolizing tendency of finance capital operated. The premium charged by the shroffs on different varieties of coins in Bengal and Bihar depended upon the rates approved by the Jagat Seth house.”<sup>81</sup> Many of these smaller merchant-financiers, therefore, had to seek their fortunes by connecting themselves to other groups. The Seths’ immense power as financial monopolists across public and private domains, as we would understand it today, was dependent on the structure of their banking network, which conveyed news about commodity trade, bullion shortages, succession crises, and other events much faster than other groups.

These facts indicate that the Seths’ monopoly was premised on the closed circuit of the merchant networks they controlled and did not generally protect all merchants involved in Bengal trade. While contemporaries like Khwaja Wazid would have also had their own networks (Armenian family firms and their partners), the Marwari migration to Bihar and Bengal seems to have been large enough to

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<sup>80</sup> Chaudhury, “Merchants, Companies, and Rulers,” 76-77.

<sup>81</sup> Sinha, “Introduction,” in *House of Jagatseth*, viii.

give the Seths a decided advantage in terms of the number of people from which they could pool capital and through whom they could transmit funds to different parts of the country. As a result, it seems that the various kinship-based merchant networks acted as separate circuits which outside actors, like rulers and European companies, could tap into as and when needed but whose operations did not necessarily coincide.

Predictably, a major source of conflict revolved around the monopoly control of the mint in Murshidabad, where the silver currency that was used at the time, called *siccas*, was minted. The British were forbidden by the government to have a mint of their own in Calcutta, and they were not permitted to use the mint at Murshidabad. This necessitated that they sell their silver to the Seths, at whatever price was offered, in order to have the currency to conduct trade in the rest of the country. This was important because most of the commodity merchants participating in the *dadni* system and the yearly investment were reluctant to accept bullion as payment.<sup>82</sup> In 1736, for example, the Bengal government announced a reduction in the exchange value of silver rupees from southern India, which the British and French used. This was reported to have been done at Fateh Chand's behest, in order to hit back at the British for importing less bullion to be minted at Murshidabad.<sup>83</sup> British council records from the time indicate that the government intervened on numerous occasions to protect the Seths' monopoly privileges in both minting coin and setting the exchange rates between currencies.

After Plassey, British and Indian traders involved in the country trade on behalf of the East India Company became more violent in their interactions with village producers and the government's revenue collectors, leading to an irresolvable rupture between the British and the *nawab*.<sup>84</sup> Moreover, Mir Jafar and Mir Qasim had come to see the Seths as disloyal subjects who had chosen to act on

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<sup>82</sup> Sushil Chaudhury, *Companies, Commerce and Merchants*, 244-246.

<sup>83</sup> Little, *House of Jagatseth*, 81. In many episodes in this period, Fateh Chand seems to have refused to accept payment in rupees or siccas from other parts of India. This was in large part done to promote the return of bullion to the mint, since there seemed to have been a currency shortage.

<sup>84</sup> Little, *House of Jagatseth*, 214-215.

behalf of the British and forsake their duties as bankers and advisors to the *nawab*. This suspicion was partly a product of the fact that the British had begun putting immense pressure on Mir Jafar and Mir Qasim to repay them for their expenses in supporting the regime. A revealing exchange was captured in the correspondence of Luke Scrafton, who worked for the Company in Bengal and wrote prolifically about the Company's experience there. In a letter to Robert Clive in 1757, he wrote, predicting what the *nawab's* predicament would mean for the Seths: "For my part I think admitting extortion was no crime, I think the circumstances of the Nabob's empty treasury, the proportion his expences bear to his revenue, and consequently the difficulty he will have to pay us makes Juggutseats riches a very convenient crime, for I know no other way the Nabob has to pay us, but by fleecing him..."<sup>85</sup>

The extortionary behavior Scrafton predicted did in fact come to pass. In 1763, Mahtab Rai and his cousin Swaroop Chand were taken as prisoners by Mir Qasim and a substantial portion of their wealth was transferred to the government's coffers. They were subsequently put to death, two years before the British won the Battle of Buxar and the East India Company became the *divan* of Bengal. After the Company's being awarded the post of *divan*, Robert Clive, who had returned to the post of Governor of the Presidency of Fort William at Calcutta, appointed the Jagat Seths' banking house, now led by Mahtab Rai and Swaroop Chand's sons, as the new regime's official bankers.

However, the Seths' business operations never recovered from the series of losses they suffered, and they were forced to accommodate various extortionary demands for loans from both Indian aristocrats as well as the British. Moreover, they were unable to collect on debts already due to them from the reigns of Mir Jafar, Mir Qasim, and now the East India Company, who increasingly allowed these debts to accrue, deeming it credit extended to the government of the province.<sup>86</sup> When finally

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<sup>85</sup> MSS Eur/Orme India XVIII, 5042-5043.

<sup>86</sup> Little, *House of Jagatseth*, 235-238.

the capital of Bengal was moved from Murshidabad to Calcutta in 1772, the Seths ceased to be the regime's bankers.

## Conclusion

The most important and constant thread in the evidence presented is that the Seths were constantly on the cusp of political power, but they then eschewed taking a more prominent role for themselves. I have argued that this was due to their inability to convert their considerable social resources in the economic world of Bengal into political capital. Indeed, one can surmise that the Seths had already considerably overstepped the prescribed mark by involving themselves in the succession struggles and in plotting with other members of court to remove Sarfaraz Khan and Siraj ud-Daula.<sup>87</sup> The family was, instead, deeply reliant on whoever possessed the superior military force in the province (first the *nawabs*, then the British) and could therefore offer some semblance of protection to their interests. It seems too from the evidence that the Seths relied on maintaining good relations with the *de facto* power in the province in order to remain within a ruling coalition comprised of provincial elites, coalitions that themselves were fluid and easily changed.

Another element, the insecurity of property under specific rulers, especially Siraj ud-Daula, also makes the Seths' behavior puzzling. While they took steps to protect their own wealth and property, it seems that there was no "bottom-up" process of securing property rights that was innovated within the business community of Bengal. Instead, the smaller merchant communities seem to have been responsive to the Seths' demands to block various new entrants into the hinterland commodity

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<sup>87</sup> Little, *House of Jagatseth*, 219. In a letter to the governor of Fort William, Mir Qasim writes that his reasons for taking Mahtab Rai and Swaroop Chand into his custody, despite the protests of the East India Company were that: "For these three years that I have borne this burthen, and have repeatedly wrote to these gentlemen [the Seths], to carry on their own business, and assist in the affairs of the Nizamut [government], they paid not the least regard to my summons, and have put a stop to all their mercantile business, and have done all they could, to throw the affairs of the Nizamut into confusion, and treated me as an enemy, and out-law, and refused to come."

markets, like Europeans, and smaller merchants who were not allied with the Seths suffered by being excluded from receiving credit from the monopolized financial markets. Consequently, there was no necessary coordination between the merchants of Bengal to prevent predatory rulers, like Siraj ud-Daula, Mir Jafar, Mir Qasim, and the East India Company from targeting certain family firms whenever loans were required. In addition, whatever private security the Seths did possess in the late period of the *nawabi* regime was largely ineffective, as this corps did nothing to prevent the deaths of Mahtab Rai and Swaroop Chand or the capture of their sons as hostages.

The result of the narrow social repertoire of the Seths was susceptibility to an alternate financial and commercial power seizing their monopoly. While the *nawabs* of Bengal had not involved themselves in commerce, except through the offices of the Seths, the East India Company was a merchant body and deeply interested in monopolizing both economic and political life in the province. It did this even at the risk of legendary brutality, leading to the rapid deindustrialization of Bengal and the unraveling of indigenous financial institutions and commodity markets during the eighteenth century and the early nineteenth century.<sup>88</sup> After the removal of Bengal's capital to Calcutta, the Seths remained important members of their own kin community but largely irrelevant to mercantile life outside, with later descendants forced to apply to the British Indian government for stipends by invoking the past services of their ancestors.<sup>89</sup>

## A Historiographical Note

The eighteenth-century history of Bengal is often split into pre-Plassey and post-Plassey periods. This division makes intuitive sense because of the ascendance of the British in Bengal from 1757 onwards,

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<sup>88</sup> Nick Robins, "Loot: In Search of the East India Company, the World's First Transnational Corporation," *Environment and Urbanization* 14 (2002): 85. "...the urgent military need for teak to fill the gap in declining supplies of oak for Britain's navy led to monopoly control over timber. Malabar's shipbuilding industry and timber traders were ruined and its forests denuded. In the core textile trade, savage reprisals would be exacted against any weavers found selling cloth to other traders and the Company was infamous for cutting off their thumbs to prevent them ever working again. In rural areas, almost two-thirds of a peasant's income would be taken by land tax under the Company - compared with some 40 per cent under the Mughals."

<sup>89</sup> Little, *House of Jagatseth*, 241-243.

even though they did not actually assume a governing role until 1765. For that reason, much of the historical literature relies on British archival documents and East India Company reports to reconstruct the history of the pre-British period. A large number of East India Company surveys, which served the role of both gathering information for their government in Bengal as well as reporting on Company activities to London, capture the economic and social conditions of the province and offer histories of the region. Due to the importance of Bengal to the British, however, analysis of Bengal crops up in various reports, produced for the study of different parts of India, as British policy there acted as a type of benchmark for the rest of the territories that came under their control.

This chapter relies, therefore, on a few sources that are less commonly used in general histories of Bengal. The first is the *Seir Mutaqherin*, which is also transliterated as *Siyar ul-Mutakberin*. This three-volume work was written in Persian by Sayyid Ghulam Husain Tabatabai, who was born into a Muslim aristocratic family in Delhi and related to Alivardi Khan, who would later become *nawab* of Bengal. Alivardi Khan's rise to power brought Husain and his family into the court of Murshidabad and gave him an intimate understanding of the politics of the regime. The three volumes were completed in 1781 and later translated by John Briggs and published in London in English in 1832. The *Seir Mutaqherin* is one of the few Persian works to consider the transition from the native government to the British government and offer a detailed account of the rulers and elites in North India in general and Bengal in particular that created conditions for the decline of the Mughal system. Because Husain was himself an "insider," however, it is necessary to trust his characterizations of various people with some caution.

Another Persian language history, the *Riyaz us-Salatin*, was written in the latter part of the eighteenth century by Ghulam Husain Salim and translated by Maulavi Abdus Salam and published in English in Calcutta in 1902. Salim himself relied on the *Seir Mutaqherin* but he also had access to other

documentary sources which have since been lost. The *Rjyaṣ* covers a much larger period of history, starting in Bengal's classical age and ending at the beginning of the British period. In his preface, Abdus Salam notes the paucity of histories of Bengal, except as incidentally in general histories of Mughal India. In noting what he can track as the basis of Salim's sources, Abdus Salam writes:

It is a pity the author does not specify all the sources of his history, but there is internal evidence to indicate that, besides consulting standard historical works, such as *Tabaqat-Nasiri* by Minhaj-u-Siraj, *Tarikh-i-Firus Shahi* by Ziauddin Barni and by Siraj Afif (which contain references to the history of Bengal only for the period between 1196 to 1338 A.C.) and *Tabaqat-i-Akbari* by Nizamuddin Ahmad (which contains an account of Bengal for the period 1338 to 1538), the Badaoni and *Akbarnamah* by Abul Fazl (for the period under Akbar) and other similar standard historical works on India such as the *Tusuk*, the *Iqbalnamah*, the *Padshahnamah*, the *Alamgirnarah*, and the *Maasir-i-Alamgiri*. Salim had recourse also to other less known historical treatises relating to Bengal which are not perhaps now extant, and perhaps lay only in manuscripts. Our author now and then says, 'I have seen in a little book,' and he also cites a historical compilation by one Haji Muhammad of Qandahar, of which no copy seems now to exist. Our author appears also to have taken considerable pains in deciphering old inscriptions on monuments, mosques, and shrines in Gaur and Panduah - old Musalman capitals of Bengal. This feature considerably enhances the value of his history, and gives it a superiority over other similar works, and places our author in the forefront of Bengal antiquarians and researchers.<sup>90</sup>

As a result, the *Rjyaṣ* is a particularly useful source not only for a comprehensive political history of the pre-colonial period but also as a check on some of the biases of the *Seir Mutaqherin*.

Finally, I rely heavily on J.H. Little's *House of Jagatseth*, which is to my knowledge, the only major work on the family and its banking operations. It was originally published in *Bengal: Past and Present*, which was a publication of the Calcutta Historical Society, in volumes 21 and 22 in 1921. However, the two-part publication was later collected and published as a monograph through the Calcutta Historical Society in 1960. Dr. N.K. Sinha, who was himself a distinguished economic historian of India, provided an introduction to the volume that helps place its contents in perspective. While Little focuses much more on the Jagat Seths' relationships with the British, which are easier to track through

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<sup>90</sup> Abdus Salam, "Preface," in Ghulam Husain Salim, *Rjyaṣ us-Salatin*, 5.



the East India Company factory records for Kasimbazaar, Patna, Hugli, and Calcutta, he also provides glimpses into the family's private life that are unavailable elsewhere. As a resident of and scholar in Calcutta, he also had access to private documents in the family's collection that are no longer available.

## CHAPTER FOUR

### British Bombay and Surat in Transition, 1737-1782

#### Introduction

Long before the establishment of the Mughals in Delhi, India's western coast constituted its own dynamic trading region, with bullion and lucrative commodities traveling between ports in Gujarat and the Carnatic and Ottoman, Safavid, and East African ports in the Indian Ocean. The legendary port cities of Cambay (Kambhat) and Calicut (Kozhikode), famed for their wealth and luxury goods including spices, fine textiles, and rich dyes, were the Indian centers of this trade. Vasco da Gama's voyage to India in 1498 and the landing of the Portuguese in Calicut made them the first Europeans to enter what was already a cosmopolitan commercial world that included Arab, African, Persian, Indian, and Chinese merchants.

The Portuguese were the first to apply violence systematically to dominate strategic points in the Indian Ocean trade, and they founded the infamous *cartaz* system, functionally a protection racket under which all ships entering Portuguese controlled ports had to buy shipping passes in order to stave off violent punishment in the form of confiscation or sinking from the Portuguese authorities.<sup>1</sup> In 1534, the Portuguese acquired Bombay through the Treaty of Bassein, when the independent *sultan* of Gujarat ceded them to the Portuguese in the hopes of cementing an alliance against the growing Mughal power in northern India.

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<sup>1</sup> Michael Pearson, *The Indian Ocean*, (New York: Routledge, 2003), 120-121. "The patrols and the capture of ports had a wider aim also. The Portuguese wanted to direct, and tax, all trade in the Indian Ocean. The Portuguese required that all ships trading in the ocean take a licence, or *cartaz*, from a Portuguese authority. The key point was that the cartazes required Asian ships to call at Portuguese forts or towns and there pay customs duties before setting off on their voyage. What the ship could carry, and where it could trade, was strictly limited. In particular, Muslims from hostile areas, weapons, and spices were prohibited. Portuguese fleets cruised around checking all ships they came across. Those would a cartaz, and those who infringed its terms, were subject to confiscation at best, and sinking at worst. This system was a vast protection racket, for the Portuguese were selling protection from violence which they themselves had created."

The trading world of these cities and merchant communities was ocean-facing, however, as they contained their own forms of political authority and were poorly connected to their hinterlands. This changed when the Mughals annexed Gujarat in 1573, and their favored port city of Surat became the major center of trade in the area. By the end of the seventeenth century, most commodities from Mughal North India passed through Surat on their way to Ottoman and Safavid ports, and the Dutch and the British had become the major European actors in the city. Portuguese influence on the western coast, while still important, was no longer the determining factor in Indian Ocean trade.

However, Surat's dependence on the security provided by the Mughals meant that when Mughal authority began to fragment in the eighteenth century, an opening was created in which others, including the local authorities in Gujarat, the Marathas, the Dutch, and the British could all compete for authority in Surat. Curiously, even while the British became increasingly influential in Surat, they began to shift their operations to the quiet and undeveloped islands of Bombay.

The seven islands that constituted Bombay were the only Indian territorial possession in the hands of the English crown in the period, and the town provided an alternative center from which to contest the increasing military pressure applied by the Marathas to states along the western coast. The English had acquired Bombay through Charles II's marriage to the Portuguese princess Catherine of Braganza in 1661. The crown then leased the islands to the East India Company in 1668. Surat remained the Company's main seat of trade in western India, but Bombay became an important military outpost, especially after the construction of naval docks and a fort. When Asian merchants increasingly sought British protection in Surat in the mid and late 1700's as local authority became unreliable, the Company became the *de facto* authority in both Surat and Bombay. It would still be a few decades before the Company was the paramount power on the western coast, but its control of trade in the region and formidable military presence turned the fishing villages of Bombay's islands into one of the most powerful economic centers in India.

Even if one focused exclusively on the Company's roles as simultaneously a guarantor of security to locals as well as a transnational merchant, it would be hard to escape the conclusion that it played multiple roles in the Indian social world. Indians grasped this fact rather quickly, even while the Company's directors in London remained baffled at its political advancement. While it was common practice at the time for the English crown to imbue trading corporations with sovereign privileges, the full potentiality of these privileges could only be manifested in Asian political worlds, where decentralized, imperial governments necessitated partnerships with well-equipped suzerains and tributaries. To the Mughals, the Company was one more tributary, with the bounds of its lawful behavior determined through imperial decree, as was the case for any other local, sovereign power. Despite the many political powers that the Company possessed from the outset by virtue of its English charter, such as the right to build fortifications and mint currency, its ability to act on these powers was complicated by its dependence on Indian governors to allow these activities.

The Indian political system, which largely allowed the Company to do as it pleased within the territories it controlled, nevertheless had little experience with the nebulous mixture of capabilities presented by a commercial organization like the East India Company. At its core, the Company was a group incorporated for the purposes of trade to the East. But within its roles and responsibilities in London, it also acted as a vehicle for the British crown's interests in Asia, as a creditor and then debtor to the English government, and a monopolist of certain lucrative commodities. In India, the Company was not only a merchant and a monopolist, but also a mercenary, providing trained troops to fight the battles of Indian rulers for a price, and a provider of law and order within the walls of its factory towns.

This chapter investigates the paths that the East India Company took to becoming the ascendant power in western India, especially as this was reflected by the decline of Mughal Surat and the rise of British Bombay. First, I look briefly at the complicated social logics of the Company in two settings –

England and India. I then examine the Company's military relations, economic relationships and administrative relationships with a variety of peoples in Surat and Bombay. I focus in particular on the period between 1737 and 1782, from the Maratha capture of Salsette, which was a low point for the Company, to the First Anglo-Maratha War and its conclusion in the Treaty of Salbai, which marked the beginning of a series of important military victories for the Company.

This chapter does not attempt to construct a comprehensive history of the East India Company, which is perhaps one of the most studied actors in world history. The enormous archive of the Company also constitutes the basis on which most historians reconstruct the history of India in the early modern period. Doing justice to this archive or to the existing historiography by providing a broad history of the Company's tenure in India is a correspondingly huge endeavor and impossible to do within the scope of this project. For this reason, I focus only on the Company's activities in western India within a delimited time frame. Bombay is an interesting case precisely because it is understudied relative to Calcutta or Madras, which were much more consequential cities for the establishment of colonial rule. Nevertheless, the Company's determination to hold Bombay against the Marathas and to make it the seat of their activity in the highly lucrative Indian Ocean trade, despite the initial weakness of their position there, makes it perhaps the most interesting case for comparison with Indian commercial groups and for the purposes of discovering how such groups transition to governing.

*Table 5: Summary of Findings*

Organization	Social repertoires	Overall Openness	Commercial Governor?
British East India Company	Bureaucratic; Ideological	<u>Receptive</u> Strong economic and administrative ties with outsiders; moderate military and socio-religious ties with outsiders	YES

## Social Repertoires of a Joint Stock Corporation

### *Bureaucratic Repertoires*

Historians disagree on the origins of the joint stock corporation. If the joint stock itself, understood as a pool of capital created by an association of investors, is assumed to be the defining characteristic of such organizations, then companies with shareholders date from at least the thirteenth century and arose independently in a variety of locations, including France, Italy, and China.<sup>2</sup> If the corporate principle, which was a legal idea that turned an association of individual investors into one legal entity, is assumed to be the defining characteristic, then joint stocks as corporations date to the early seventeenth century when they were first chartered in England and the Netherlands.<sup>3</sup> I argue that it was not the pooling of capital in shares but the legal fiction of the corporation that was most important in the social organization of trade and commerce in the early modern world. To make the analysis in the rest of this section clear, therefore, I do not use “company” and “corporation” interchangeably. I also focus exclusively on mercantile companies that were incorporated as joint stocks that conducted trade abroad on behalf of the state and their investors.

Before the joint stock corporation, trade overseas was conducted through a different type of company, sometimes known as the regulated company. Superficially, regulated companies resembled the joint stock corporations that would emerge later. Regulated companies received a royal charter to enjoy monopoly privileges in specific regions overseas, and in their trading activities abroad, they acted in concert, as much as possible, to ensure the profitability of the trade to all investors. However, the body of the regulated company was not a legal entity in its own right, which meant that its existence depended on the continued participation of its members. In addition, individual members within the

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<sup>2</sup> Teemu Ruskola, “What is a Corporation? Liberal, Confucian, and Socialist Theories of Enterprise Organization (and State, Family, and Personhood),” *Seattle University Law Review* 37 (2014): 639-666.

<sup>3</sup> Ernst Kantorowicz, *The King's Two Bodies: A Study in Medieval Political Theology*, (Princeton: Princeton University Press, 1997); David Runciman, “Is the State a Corporation?” *Government and Opposition* 35 (2000): 90-104; Henry Turner, *The Corporate Commonwealth: Pluralism and Political Fictions in England, 1516-1651*, (Chicago: University of Chicago Press, 2016).

regulated company chose how to use their money in the service of trade. Some members traded on their individual accounts while others pooled their money in small joint stocks within the auspices of the company to limit their risk. Nevertheless, all members understood that they traded at their own risk and with their own capital, on behalf of themselves. The main purpose of the company was to standardize the rules of conduct in trade and to profit from already existing channels of politics and commerce.<sup>4</sup>

In contrast, the joint stock corporation was a single legal body that conducted trade on behalf of its shareholders. Whether there was turnover in these shareholders or not, the corporate body remained intact. Investor capital was pooled together for a common purpose and shareholders were paid dividends that were shared among all investors, unlike in regulated companies where investors reaped only the benefits of their own investment. The stockholders of such corporations could come from any background. For example, the English East India Company's investors represented a wide cross section of society, from aristocrats to an emerging class of professionals and merchants, and some were international investors – Dutch nationals held nearly a third of the stock in the East India Company in the eighteenth century, for example.<sup>5</sup>

The corporate principle and limited liability further insured shareholders against risk in long distance trade, and it provided other advantages that were not possible in the regulated company or other associational forms, including providing a corporation the right to own, buy, and sell property, to accrue debt over time, and to take legal actions. “As a consequence, incorporated ventures were more enduring than non-incorporated partnerships; they could accumulate capital more effectively and use it more flexibly; and they offered limited protections for individual members from the debts

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<sup>4</sup> M. Schmithoff, “The Origin of the Joint-Stock Company,” *University of Toronto Law Journal* 3 (1939): 79-80; Turner, *Corporate Commonwealth*, 98-99.

<sup>5</sup> Ian Barrow, *The East India Company, 1600-1858: A Short History with Documents*, (Indianapolis: Hackett Publishing, 2017), 50-52.

of the association when ventures turned bad.”<sup>6</sup> In high-risk environments like the India trade, in which safety of voyages was uncertain and where climactic conditions affected the availability of certain commodities and made certain trade routes impassable at various parts of the year, the key advantage of the joint stock was its ability to absorb this risk by taking on debt that could be discharged at a later date and investing in warehouses and other physical assets that could not be liquidated at a moment’s notice.<sup>7</sup>

The social worlds of the early modern joint stock corporation could be complex. In the case of the East India Company, its social repertoire must be assessed in two different contexts – at home and abroad. At home in England, the Company was mostly organized according to bureaucratic methods, using rules and codes of conduct to regulate the behavior of its employees. At the most general level, the internal administration was run by twenty-four directors, organized into an average of twelve committees, with the directors reporting to a governor of the company and his deputy. The governor and his deputy oversaw a general election of officers of the company every year. A variety of administrative staff held positions below the officers, including the manager of the Company’s proprietary public house, which victualled its employees; a husbandman, who provisioned the ships; and a beadle who summoned investors to meetings.<sup>8</sup>

The social world of the Company was also influenced by its employees and their backgrounds. Company administration in India was organized into two lines, one political and the other military. The political line, which included all the most influential posts both in Company government and as representatives, or agents, to the native rulers, were the best paid. Due to patronage politics both in India and England, these posts usually went to men who were close to Company directors or governors. Most of the recruits to the Company’s service in the eighteenth century entered as civilians

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<sup>6</sup> Turner, *Corporate Commonwealth*, 99.

<sup>7</sup> Tirthankar Roy, *An Economic History of Early Modern India*, (New York: Routledge, 2013), 88.

<sup>8</sup> Barrow, *The East India Company*, 3-4.



in the political line, but the absolute number of officials remained small up until the early nineteenth century. Reflecting the admixture of forms of authority that characterized Company administration, appointees to the political administration in India received little to no supervision or guidance and there were no rules or protocols to guide their political and diplomatic efforts.<sup>9</sup>

This lax supervision manifested itself in one of the most important organizational dimensions of the Company's social worlds, which was its allowing of employees to conduct private trade on their own accounts. Private trade created conduits between Europeans and Indians that would not have otherwise existed. The incentive to engage in private trade was deliberate on the part of the Company directors. Unlike the Dutch, who prohibited private trade and exercised hierarchical control over their traders, the British understood that one of the major incentives for young men to risk their lives in voyaging to and living in India was the chance to grow rich from the country trade. This was reflected in the contracts that Company servants were offered, which featured meager salaries, long waits for promotion, and no pension after retirement.<sup>10</sup> Instead, Company officials in London and India expected that employees would engage in trade on the side to supplement their incomes. In the case of the English East India Company, the ability to use the Company's privileges went hand-in-hand

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<sup>9</sup> Michael H. Fisher, "Indirect Rule in the British Empire: The Foundations of the Residency System in India (1764-1858)," *Modern Asian Studies* 18 (1984): 393-428. "Just as the Company made no formal rules for entry into the political line, so too, it provided no special training for its appointees. For the most part, the Company expected its officials to learn on the job, preferably but not necessarily under the guidance of an experienced superior. The Governor General often called new appointees to the political line to him for personal instruction...Only rarely do we find evidence of members of the political line seeking to educate themselves with respect to international law and diplomatic practice" (415-416).

<sup>10</sup> Santhi Hejeebu, "Contract Enforcement in the English East India Company," *Journal of Economic History* 65 (2005): 502-503. "The contract specified the following incentive schemes: a fixed annual salary, promotion based on seniority, and the privilege of trading privately within Asia...The meaning of private trade is made explicit in the covenant itself: 'the said Company doth accordingly license the said [servant's name]...freely to trade and traffic for his own account only, from port to port in India, or elsewhere within the limits aforesaid...without any let, hindrance, or interruption from them the said Company.' The private trade clause acknowledged and lent support to the servants' pursuit of fortune. It injected an entrepreneurial element in the servants' activities in Asia, allowing them to run their own side businesses. Servants invested in numerous commodities such as rice and raw silk, purchased in one port and sold in another. Investment in sea loans, *respondentia*, and bottomry, between Calcutta and Madras and Calcutta and Surat were also popular. Precious gems, in particular diamonds and corals, traded well within Asia and had the advantage of being easily transported back to Europe. English servants participated in the Asian emporium trade to China and the Archipelago, from coastal India to the Persian Gulf and Red Sea. They also played a significant role in redirecting Asian maritime trade to European-controlled enclaves."

with dismissal for shirking, providing Company factors with incentives to continue to work productively for the Company as a route to private wealth.<sup>11</sup>

As a consequence of their relative freedom, British traders had great latitude and independence to pursue political projects in their overseas territories and colonies. This was the genesis of the idea that it was the “man on the spot” who expanded British empire abroad through an intimate knowledge of the context of markets and politics in his area. And this in turn led to tension between joint stock companies’ leadership, ensconced in the metropole, and their agents abroad who could present their political activity, including fighting wars, making territorial gains, and behaving aggressively towards nominal allies as a *fait accompli* regardless of official policy.<sup>12</sup>

### *Ideological Repertoires*

Despite the use of democratic practices in voting and assembling and schemes of contractual employment, directors in England often used their rights of nominating candidates for Company posts to favor sons, nephews, and other relatives. In addition, wealthy stockholders could divide their stock by transferring some to individuals who would vote with them in committee meetings and thereby push the Company towards their preferred policies in trade and investment. The stakes of these decisions rose considerably in the late eighteenth century after the Company became the *diwan* of Bengal.<sup>13</sup>

In addition to these nepotistic characteristics, the Company was also shot through with political factionalism. The East India Company was chartered twice – once in 1600, and again in 1701. The

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<sup>11</sup> Adams, “Principals and Agents,” 21. See also Ann M. Carlos and Stephen Nicholas, “Agency Problems in Early Chartered Companies: The Case of the Hudson’s Bay Company,” *Journal of Economic History* (1990): 853-875.

<sup>12</sup> John S. Galbraith, “The ‘Turbulent Frontier’ as a Factor in British Expansion,” *Comparative Studies in Society and History* 2 (1960): 150-168 and Emily Erikson, *Between Monopoly and Free Trade: The English East India Company, 1600-1757*, (Princeton: Princeton University Press, 2014).

<sup>13</sup> Barrow, *The East India Company*, 50-51.

first incarnation of the EIC in the seventeenth century was closely tied to the monarchy and Tory politics more generally. During this period, the EIC regularly made gifts of money and extended loans to the Crown, and the customs duties it paid to import its goods from Asia formed a crucial part of state revenues.<sup>14</sup> The Glorious Revolution of 1688 shifted the balance of power within the government away from the monarchy and towards Parliament, requiring the EIC to seek Parliamentary approval for its charter in order to maintain stability in its trading privileges. The efforts of the Company to negotiate the renewal of its charter with Parliament were unsuccessful, resulting in the chartering of a new company for trade with Asia, which was much more closely affiliated with the Whigs and their allies in government.

Despite these setbacks, the “old” company used its capital to become a majority shareholder in the “new” company. Between 1698 and 1702, the two companies competed with one another to seat more political allies in the House of Commons as well as to raise more investment in trade in India. Finally, in 1702, the old and new companies negotiated a merger, which was completed by 1709. The new United East India Company possessed a majority of Whig shareholders, but Tories continued to constitute an influential minority.<sup>15</sup> By the late 1760s, about twenty three percent of all members of Parliament owned stock in the East India Company.<sup>16</sup> The Company’s diverse cross-section of stockholders was therefore balanced by certain strong factional interests, including the interests of influential groups of proprietors, which in the eighteenth century were largely shipping magnates, who blocked domestic competition in ship building for the Asian trade, and servants in the Indian trade who had returned with enough money to buy stock and thereby voting influence.<sup>17</sup> Therefore, in addition to the bureaucratic organization of the Company, certain ideological elements, based in

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<sup>14</sup> Carruthers, *City of Capital*, 147-148.

<sup>15</sup> Carruthers, *City of Capital*, 149-150.

<sup>16</sup> Barrow, *The East India Company*, 51.

<sup>17</sup> Barrow, *The East India Company*, 52.

political philosophy and commercial interest, influenced how the Company interacted with its shareholders, Parliament, the Crown, and the public.

In India, the settlements at Bombay, Madras, and Calcutta included a president and council of each “factory,” or the warehouse where goods were housed and transported, settlements around the warehouse where the “factors,” or traders, and servants of the Company lived. Later these settlements would include fortifications and fortresses. The social logics that characterized the organization of the Company in its factory towns and ports were more overtly based in symbolic and charismatic qualities associated with rulers. By virtue of its charter, the EIC was guaranteed rights abroad that were deemed necessary to protect its trade. The charter gave the Company monopoly trading privileges from the Cape of Good Hope to the Straits of Magellan, which were further bolstered by rights to “establish fortifications, make law, erect courts, issue punishment, coin money, conduct diplomacy, wage war, arrest English subjects, and plant colonies.”<sup>18</sup> These privileges enabled the Company to behave like a sovereign entity abroad, and in behaving like a government, it took on much of the symbolic and visual repertoire of a ruler.

The Company’s privileges abroad were bolstered by the cultural practices of ruling classes in both England and India in the early modern world. The rights that the British government conferred on the East India Company meant little if Indian rulers objected to the Company’s presence on their territory – the Company had to obtain permission to conduct trade from the Mughal government, and this permission had then to be enforced in practice by the Mughal governor in the province in which the factory was situated. The Mughal government viewed the Company as a merchant operating in

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<sup>18</sup> Philip J. Stern, *The Company-State: Corporate Sovereignty & the Foundations of the British Empire in India*, (New York: Oxford University Press, 2011), 12.

the world of South Asian commerce and treated it accordingly, despite the Company's own perception of itself as a royally endowed arm of the British state.<sup>19</sup>

As a result, the Company adopted certain forms and behaviors abroad that were distinct from its operations in London. In India, the Company used a mixture of legal and administrative forms, drawn both from English legal theory and precedent as well as Indian praxis. Ceremonial pageantry accompanied legal administration, putting Company governors on par with other local grandees. The governors of Bombay and Madras left their settlements for conferences or journeys with retinues that included attendants, soldiers, bands, flags, and covered palanquins, all of which resembled the practices of local princes. Company authority further manifested itself through the planning of fort cities, architecture, gardens and landscapes, and coinage, in which the styles of building and types of plants chosen were done with an eye towards demonstrating the dual roots of Company authority – English and Indian. In South Asia, where the minting of coins with the faces or initials of rulers was not just a royal prerogative but also a way of conveying changes in regime, the Company's control over mints and coins were thought to be of paramount influence.<sup>20</sup>

As the Company moved further and further away from its mercantile identity, the gap between its Indian and British operations grew correspondingly larger and more divisive. In London, the Company's slim organization belied an expansive set of prerogatives and unwieldy, decentralized organization that it held within India. For this reason, the Company is treated as two different entities

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<sup>19</sup> Guido van Meersbergen, "The Diplomatic Repertoires of the East India Companies in Mughal South Asia, 1608-1717," *The Historical Journal* 62 (2019): 886. "Yet royal missions were the eye-catching exceptions to the norm. As becomes clear when broadening the scope of research, the vast bulk of what constituted East India Company diplomacy in Mughal India was concerned not so much with representing far-flung sovereigns, but with cultivating relationships of political patronage in what was essentially a domestic, South Asian setting."

<sup>20</sup> Stern, *The Company-State*, 30-31, 34. "Even the most apparently practical commercial instruments, like coins, served distinct political purposes. On one level, coinage was a crucially important aspect of the Company's trade, necessary for translating specie into currency that could pass locally and regionally and to bypass *sarrafs*, or money changers, at Mughal and other mints. Yet, in both European and Asian political traditions, the rights of mintage were, as the court of committees recognized 'so necessary an appendix to all Sovereign Governments...' The Company's coins, like its justice, also reflected the multiple and overlapping sources of that sovereignty... This intermingling of European, Asian, and Company authority was reflected in these coins' iconography."

in much of the historiography – the very conundrum that baffled parliamentarians when they attempted to regulate the Company in the late eighteenth and early nineteenth centuries.

Within both its British and Indian worlds, the Company displayed a strong interest in and use of bureaucratic, legal methods of policing and regulating its employees and the Indians and others who lived within their towns. However, the Company also manipulated political factionalism in Parliament to forward its own agenda, and within India, it overtly adopted the trappings of ruling classes in India and engaged in governing behaviors that were part and parcel of its charter rights. This made it more than simply a bureaucratic organization – the Company was both a ruler espousing ideologies of English nationhood, religion, and culture as well as Indian concepts of sovereignty, even as it engaged in the very practical work of trade.<sup>21</sup>

### **The Company-State in Bombay**

The English crown leased the islands constituting Bombay to the East India Company in 1668. At the time, Bombay was barely developed: “Excepting its magnificent position, which was however greatly reduced in value by the separation of the neighbouring islands of Colaba (now joined to Bombay), Karanja (now mainland), Salsette and Elephanta from its rule, there was little but a few native fishing villages and some small and crumbling Portuguese forts to be taken over by the English.”<sup>22</sup> One of the conditions of the English takeover of Bombay was that the Company would accept within its jurisdiction any inhabitants who were already there, including both Portuguese and native residents.

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<sup>21</sup> Stern, *The Company-State*, 13. “With its roots planted in both hemispheres, the Company’s constitution could be volatile and fragile, dependent as it was on constantly changing regimes in both Europe and Asia as well as its own inchoate and often resource-starved political institutions and practices. At the same time, the ability to borrow and balance these various sources of authority and legitimacy potentially offered a remarkably flexible and robust form of political power. Unlike a monarchical state, the Company could modulate between positions of deference and defiance, between claims to be a ‘mere merchant’ and an independent ‘sovereign.’ Grants and other instruments as well as the Company’s own political practices could both amplify and be set against one another. The ability to do this came not just from the Company’s constitution as a corporation but its unique position occupying the space between England and Asia, serving as the commercial, political, and diplomatic intermediary between the two.”

<sup>22</sup> Cox, *A Short History of the Bombay Presidency*, 111.

From the start, therefore, Bombay had a cosmopolitan population that would expand and grow in the following decades as warfare in other parts of western India drove populations of various ethnic and religious identities to the relatively neutral protection offered by the British.<sup>23</sup>

The Company's incredibly flexible set of identities seems to have been the key to its tremendous success in turning Bombay into a serious power on the western coast. In particular, Indian merchants were instrumental in channeling power towards the Company in economic and administrative affairs, thereby awarding the Bombay government with legitimacy. In its turn, the Company was found to be useful as the only potential political alternative, especially because the importance of maritime trade to Surat and Bombay meant that Indian merchants wanted a political protector who could guarantee the security of their trade in the Indian Ocean. In many instances, it was the Company's burgeoning military power, and naval power in particular, that made it an attractive potential governor. In military matters, the Company was wholly flexible in choosing its alliances, as it had no ideological or identity base on which to construct its loyalties to either the Marathas or the Mughals. Despite their single-minded foreign policy, however, the settlement of Bombay itself was open to the many military talents of various communities, including shipwrights, Indian soldiers, and the mercenaries and pirates of European nations who were displaced through war.

Another key to understanding the Company's transition from merchant to ruler is the willingness of its local officials, situated in Surat and Bombay, to disregard the objectives and expressed wishes of both London, and later, Calcutta, when the latter became the head of the Company's governing and trade in India. For example, the Bombay council's decision to press on with their negotiations with the Maratha *peshwa* in the First Anglo-Maratha War allowed them to present their territorial acquisitions as a *fait accompli* rather than as a consequence of disregarding London's orders.

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<sup>23</sup> Cox, *Bombay Presidency*, 111.

As a result, the Company councils in Surat and Bombay displayed a curious quality of oligopolistic political ambition – they were happy to partner with many types of local powers, including merchants, Maratha princes and commanders, Mughal governors, etc. but as soon as these alliances gave them a preponderance of power, they were quick to shut out rivals or seize advantages through excluding others. These tendencies were uneven – while they were much more volatile in their choice of political alliances in war, they were consistently open to civilians who wanted to accept their jurisdiction within Bombay and actively sought out partnerships with the highest class of merchant elite as well as the smallest Indian merchant agents. This strategy led to their displacing all rivals on India’s western coast by the early nineteenth century, when the Company’s guarantee of security to business communities and inhabitants became more credible than those of the Marathas or the Mughals.

### *Military Relationships*

The Company’s early history in western India, as in its other settlements, displayed a preoccupation with using force to protect trade, or to enlarge it. Between 1686 and 1690, Company governor Josiah Child prosecuted a war with the Mughals off the coast of Bombay to protest what they perceived to be unfavorable trade terms. The war resulted in a defeat for the Company and terms of peace with the Mughal government that many in the Company and in England found humiliating.<sup>24</sup>

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<sup>24</sup> Cox, *Bombay Presidency*, 121-122. “The very existence of the English depended upon the Great Moghal. But nevertheless a fleet of Moghal vessels in Bombay was seized, and the emperor’s sacred vessels conveying pilgrims to Mecca captured.

“The result soon showed the folly of this suicidal policy. The English were driven out of Bengal. The factory of Surat was seized and the goods found there confiscated. The Sidi of Janjira, at the emperor’s bidding, occupied a portion of the island of Bombay to the great annoyance and loss of the garrison. For nearly a year his troops held Mazagon, Siwa (Sion) and Mahim, but they could make no impression upon the fort. The English were convinced of their rashness. The President of Bombay dispatched two envoys to the emperor’s camp at Bijapur to sue for peace. Their submission was accepted, but to obtain a fresh firman they had to pay a sum of £15,000. The emperor also demanded the dismissal of Sir John Child [sic] who had created this disturbance, but his death occurred before the arrangements were concluded.”



Child's War, as it came to be known, was an early and prominent example of the argument, commonly advanced by Company officials in India, that without military force, the precarious English trade would be entirely overrun by hostile country powers. In Child's own words: "Where-ever the English or any Europeans settle a Factory in *India*, they must presently build them large Houses, Ware-houses, etc. take many Servants, and maintain the appearance and splendour of a petty court: and in many places where the company have not fixt Garrisons, they are forced to fortifie their Houses, or else they will be despised and trampled upon by the Natives." These powers he thought were necessary to fight Indian nations, a "power they must and ought to have for the well carrying on of their Trades...if it were not known in *India*, that they have such a power, they should be continually affronted and abused by the Natives."<sup>25</sup> Child's words could have described Company policy even decades later.

In moving the seat of their commercial operations from Surat to Bombay in 1687, the Company took a calculated risk – they were able to step out of the contentious political situation in Surat but then had to build fortifications in Bombay from the ground up. In doing so, the Company largely acted by itself in this early period, having hostile or ambivalent relations with the major powers in the region, including the Mughals, the Marathas, and the Portuguese.

The most immediate impetus for fortifying Bombay was the Company's ongoing confrontation with Kanhoji Angre in the early eighteenth century. The Company referred to Angre as a "pirate," but he was a much more complicated figure. Kanhoji Angre was more properly understood as a "portfolio capitalist," possessing revenue streams in the sale of shipping passes as well as from the revenue assignment he held as a Maratha military commander (*sarkhel*). He also held political authority through his diplomatic and military activity, which allowed his descendants to act as sovereigns in their own

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<sup>25</sup> Sir Josiah Child, *A Treatise Concerning the East-India Trade*, (London: 1681), 12.

right.<sup>26</sup> Angre acted as an admiral for the Marathas, keeping their ships safe while harassing the shipping and security of others on the west coast, including the British at Bombay and the Mughals at Surat.

Fighting maritime battles with Angre acted as a justification for building the naval eminence and fortifications of Bombay.<sup>27</sup> Bombay Castle was completed in 1710 and under Bombay governor Charles Boone, the final fortifications for Bombay were completed in 1715. As the Marathas superseded the Mughals to become the dominant political power on the western coast, the Company pursued an alliance with their erstwhile enemy, the Sidi of Janjira, who acted as an admiral of the Mughal fleet.<sup>28</sup> In 1733, Bombay negotiated a treaty with the Sidi that enjoined both parties to act to act together against Kanhoji Angre's sons, especially Tulaji, who carried on his father's work.<sup>29</sup> Bombay's naval dockyard was established in 1735, and visitors to the island were frequently impressed by the harbor's natural facilities, even though it was still only a stop on the way to the commercial grandeur of Surat.<sup>30</sup>

In 1737, the Marathas inadvertently gave the Company its first step along the path to ascendancy on the western coast. In retaliation for providing aid to their enemies, the Marathas attacked the

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<sup>26</sup> Stern, *Company-State*, 187.

<sup>27</sup> Stern, *Company-State*, 187. "If one thing was clear, it was that Kanhoji was a problem for the Company, and the 'war' against him became an urgent justification for building up Bombay's infrastructure and defenses. He was a far greater threat than the European pirates had ever been to the island's local shipping, and thus its inhabitants' security and trade and the government's revenue. The council there hoped that stopping him would also make an example for others and 'strike a Terror and Awe upon the many litle Robbers lying between this place and Rajapore.' This was the only way to persuade the island's residents they were 'safe in their houses' until Bombay could build up its naval strength to secure 'its Inhabitants from the darke assaults of such and other Perverse Enemies.'"

<sup>28</sup> In the early eighteenth century, the post of admiral was held by the head of a kin group known as the Sidis, and one particular admiral, Yakut Khan, was a particular nemesis to the Company in the late seventeenth and early eighteenth centuries. He is referred to as "the Sidi" in most contemporary accounts, although his position was a hereditary one, and so the numerous Sidis referred to in the historical documents are usually different people.

<sup>29</sup> Stern, *Company-State*, 191. "In 1733 the Bombay government under Robert Cowan entered into a treaty alliance with its once mortal enemy, the Sidi of Janjira, for a 'firm & lasting foundation a perpetual alliance and sincere friendship,' and a 'league against all the enemies of both Governments in India (Europeans, subjects of the Kings of Hindostan, Persia, Arabia, & China excepted) and particularly against Angria, both Governments making a vigorous war by sea & land.' The treaty gave the Company rights to build a garrisoned factory and fort in Kolaba, should the territory be conquered from the Marathas."

<sup>30</sup> Subramanian, *Indigenous Capital*, 22.

Portuguese settlement at Salsette, which was an island between Bombay and the mainland. By 1739, the Portuguese had been driven out of any remaining strongholds that they possessed near Bombay. While the British claimed neutrality, they in fact sold ammunition to the Marathas, perhaps in retaliation against the Portuguese not having ceded all the island territories that they thought were due to them from the marriage treaty of 1661. In effect, this meant that Portuguese authority outside of Goa was uprooted. The Portuguese handed over control of their settlements to the Company, who gave them up to the Marathas.<sup>31</sup>

The events at Salsette made the Company wary of confronting the Marathas in battle. Due to their focus on piracy and security in the Indian Ocean, the Company's interests were still largely in maritime security. To that end, Bombay's authorities concentrated in particular on establishing their supremacy in naval matters. As early as 1700, the Company had been called upon (along with the Dutch) to protect trade convoys at sea. The Mughal government, quite rightly, attributed the bulk of the piracy in the Indian Ocean at the turn of the century to English pirates and demanded that the Company, therefore, act to protect traders from the violence perpetrated by its countrymen.<sup>32</sup> This was also, in

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<sup>31</sup> Cox, *Bombay Presidency*, 140-141. "The Marathas under Chimnaji, the Peshwa's brother, attacked them in the island of Salsette, or Shasthi, between Bombay and the mainland. In 1737 they captured its chief town Thana, and in 1739 drove them out of the island which they had held for more than two hundred years. In the same year, after a brave defence, the fort of Bassein, the Portuguese capital of the North, capitulated to the Marathas; the Portuguese losing 800 men in killed and wounded and the besiegers 5,000. The English under the governorship of Mr. John Horne, professed neutrality. But they sold shot and shell to the Marathas; and, in spite of the danger to their own settlement that the success of the Marathas might bring, their sympathies evidently lay with them and not with their European rivals. Salsette was the most important of the islands that the English considered had been promised by the Portuguese crown to England with Bombay in 1661, and they had not ceased to resent the non-fulfillment of the contract. The Bombay citizens however hospitably entertained the unsuccessful garrison of Bassein. Thus ended the power of the only formidable European rival to the English that set foot on the western shores of India. The Portuguese strength was broken. They could no longer hold Chaul and the fort that they had built for its protection on the opposite rock of Korlai. They handed them over to the English who passed them on to the Marathas."

<sup>32</sup> George W. Forrest, ed., "Surat Diaries," in *Selections from the Letters, Despatches, and Other State Papers, Preserved in the Bombay Secretariat*, Vol. 1, (Bombay: 1887), 231. In 1702, the governor of Surat, Dianat Khan, gave an order to have the Company's goods, amounting to roughly Rs. 235,000 to recompense a prominent native merchant named Abdul Ghafur, who had lost Rs. 182,000 to a pirate in the Straits of Malacca. In their protest against this action, the Company's authorities wrote: "This you have done as I presume by virtue of your Kings order, occasioned by a security paper that was extorted from my people by Emmanaut Caun [Imanat Khan] at the perill of their lives: and now your further demand of me three hundred thousand rupees to satisfie Hosson Ammadan [Hasan Amadani] for what he saith he was robbed of by another pyrate, though no man in the world can prove that either I or my people ever robbed any one of a rupee. Moreover, I did that year Hosson Ammadans ship was robbed send two ships in company of the Kings and

part, an acknowledgment of the Company's greater ability to engage in maritime policing relative to the land-based authorities of the Mughals and Marathas.<sup>33</sup>

Beginning in the 1740s, the Company decided that it could not allow other actors, especially the Marathas, to continue to prey on its ships between Surat and Bombay. It therefore took steps to seize the fragmented system of shipping passes from all of the authorities who issued their own passes, including the Marathas, the Sidi of Janjira, the Portuguese, the Dutch, and the French. What had been a system of overlapping jurisdictional claims, which allowed merchants to use the claims that best supported their commercial activity, began to take on the appearance of incipient imperialism as the Company attempted to monopolize the pass system.<sup>34</sup> Between 1740 and 1765, the Company began to use its ships to intervene more aggressively by stopping and detaining ships carrying alternate passes. However, the remit of their authority extended to the coastal enclaves and not much further: "the English East India Company did not exercise any territorial jurisdiction. Instead, its power assumed a disembodied form of control over all traffic along the high seas and coast and jurisdiction over all seafaring merchants."<sup>35</sup>

This establishment of what was known as the "Bombay Marine" led Bombay to flourish as a center for shipbuilding and a garrison for those seeking respite from sea battles and the constant turnover in territories between the Mughals, the Portuguese, and the Marathas. Famed shipwrights like Lowjee Nusserwanjee immigrated from Surat to Bombay in 1736, bringing other Parsi carpenters with him to

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merchants ships & Dutch convoys to helpe to convoy all safe out & home; but Hosson Ammadan being proud, he would not keep company with my ships, but willfully left them, though my people told him of the hazard he would expose himself to..."

<sup>33</sup> Lauren Benton, *A Search for Sovereignty: Law and Geography in European Empires, 1400-1900*, (New York: Cambridge University Press, 2010), 142-143.

<sup>34</sup> Tristan Stein, "Indian Merchants, Company Protection and the Development of the Bombay Shipping Pass Regime, c. 1680-1740," in *The East India Company, 1600-1857: Essays on Anglo-Indian Connection*, eds. William A. Pettigrew and Mahesh Gopalan, (Abingdon: Routledge, 2017), 83. "In theory, the shipping pass stood as the centre of a system of European maritime control. In practice, both South Asian merchants and corporate agents used passes freely to their own commercial ends. South Asian merchants and shipowners – together with their European counterparts who sailed and traded in the same waters – navigated a complex and dangerous maritime world."

<sup>35</sup> Subramanian, *Indigenous Capital*, 38.

establish a commercial ship-building operation there. Bombay's vulnerability also led successive Company governors in the city to increase the number of troops stationed on the island and to conduct censuses of people, weapons, and their movements.<sup>36</sup>

The next step in the Company's military dominance came in the final uprooting of the Angres. In 1750, the Company's governor at Bombay, Richard Bouchier, strove to ally himself more closely with the Marathas in the interest of suppressing the Angres, who had turned against the Maratha government, which had been led by a line of hereditary *peshwas* (the emperor's first or prime minister) since the early 1700s rather than the Maratha emperor (*chhatrapati*) himself. Tulaji Angre considered himself bound to the Maratha emperor and not to the *peshwa*, although this may simply have been a pretext for asserting the sovereignty of his outpost at Gheria.

The joint offensive of the Marathas and the Company, led at sea by naval admiral Charles Watson and on land by an Indian sepoy force under Robert Clive, was successful, even though the alliance produced little lasting cooperation between the Company and the Marathas. The plunder of Gheria, the Angre stronghold, included roughly £100,000, which was seized by the Company. The Marathas captured and imprisoned Tulaji, keeping a promise to the British that they would not allow him a territorial foothold again. They further excluded the Dutch from trade in Maratha dominions, as a condition of maintaining the peace with the British.<sup>37</sup>

With the defeats of the Portuguese and the Angres (as well as other pirate sovereigns like the Malvan chief of Sindhudrug in 1765 and the Sawants of Wadi), the British became the undisputed,

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<sup>36</sup> Stern, *Company-State*, 192.

<sup>37</sup> Cox, *Bombay Presidency*, 155-156. "Clive and Watson started in February 1756. It was agreed that Gheria was to be handed over to the Marathas, but the English determined to divide the prize-money amongst themselves... The fort was bombarded and taken... About £100,000 of prize-money was divided between the victors. But the Marathas secured Tulaji, and Mr. Bouchier waived his objection to that proceeding on the condition that he should never receive any territory within forty miles of the sea. The Marathas kept their word, and Tulaji died in captivity at Sholapur. The English wished to keep Gheria instead of Bankot, but after prolonged negotiations a treaty was concluded at Puna in October 1756 by Mr. John Spencer and Mr. Thomas Byfield of the Bombay Council by which Gheria was given up, but additional villages were ceded towards defraying the expense of maintaining Fort Victoria. Certain commercial privileges were granted, and the Dutch were excluded from trade within the Maratha dominions."

paramount military power on the seas of the western coast, controlling not only the shipping lanes but also the fortifications of the small, sovereign powers they had subdued: “The coastal sovereigns were subordinated to the sea power of the English East India Company and could no longer lay claim to mastery over the seas which, in effect, meant control over coastal trade and shipping.” However, maritime supremacy and control over the shipping passes and trade licenses meant that an eventual clash with the Marathas, who claimed the rights to duties on transit and trade in the ports, was inevitable.<sup>38</sup>

The Company extended its territorial control in Gujarat by capturing Bharuch in November 1772 after the *nawab* of Bharuch refused to accede to the Company’s claim to be sovereign there. Then, between 1773-1774, Haider Ali, Mysore’s ruler, campaigned into Maratha-controlled territories to regain territories he had lost while the Marathas went through a succession struggle. The Bombay council took advantage of the opportunity to negotiate the extension of their military aid to the Maratha *peshwa*, Raghunathrao, who was fighting to hold on to the throne he had usurped, in exchange for islands, including Salsette, Karanja, and Bassein, and land revenues from Surat and Bharuch, which were deemed essential to Bombay’s security and longevity.<sup>39</sup>

By this time, Calcutta was the head of the British Indian settlements and tasked with enforcing London’s wishes regarding alliances with Indian rulers and territorial acquisitions. However, the Bombay council deliberately disregarded instructions from London and Calcutta enjoining them not to acquire additional territory around Bombay.<sup>40</sup> A force from Calcutta was dispatched to renegotiate

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<sup>38</sup> Subramanian, *Indigenous Capital*, 76.

<sup>39</sup> Cox, *Bombay Presidency*, 169-170. “After a prolonged negotiation the Bombay Council, under the presidency of Mr. Hornby, offered in September 1774 to assist Raghoba with all the troops that they could spare which, including some artillery, amounted to about 2,500 men, on condition that he should advance 15 or 20 lakhs of rupees, £150,000 or £200,000, and cede in perpetuity Salsette and the other islands with Bassein and its dependencies.”

<sup>40</sup> Cox, *Bombay Presidency*, 172-173. “The Bombay Council had held that they were at liberty to act independently of the Governor-General and Council at Calcutta. The Council were of a different opinion. When they heard of the proceedings undertaken by the English in Bombay they peremptorily required that the forces should be withdrawn to garrison in whatsoever state affairs might be, unless safety was endangered by an instant retreat. ‘You have imposed on

with the Maratha authorities, effectively superseding the rebellious Bombay council. The war between Raghunathrao, backed by the Company, and his challengers, including the formidable Mahadji Shinde, a nominal Maratha suzerain, lasted until 1782 and was later dubbed the First Anglo-Maratha War. Shinde and his faction at court were triumphant, leading to the ousting of Raghunathrao and the establishment of a regency for the young *peshwa* under Nana Phadnavis.

In May 1782, the Company negotiated the Treaty of Salbai, which included pensioning Raghunathrao and recognizing the heir to the throne along with his regent, Nana Phadnavis, as the rulers of the Maratha polity. However, the Company kept most of its territorial acquisitions, excluding Bassein, and no European nations were allowed to maintain factories in Maratha lands excepting the British. The Marathas and the Company also agreed through the treaty to ally themselves against Mysore, where Haider Ali had died and his son Tipu Sultan had just acceded to the throne.<sup>41</sup> Although this war was considered a loss for the Company, it marked the beginning of a series of confrontations with the Marathas that would end with the Company's final victory in 1812, a territorial annexation which largely created the final shape of British India.

### *Economic Relationships*

For most of the period under consideration, British trade was still conducted from Surat and the bulk of its economic life was centered on that city. Like all other merchants in Mughal India, British trade had relied on the continuity and stability provided by imperial bureaucracy and the obedience of imperial governors to Delhi's dictates. In particular, merchants depended on the port official (*mutasaddi*) and the fort/castle commander (*qiladar*) who were directly appointed by the imperial government and responsible for order and security in the area. In addition, in Mughal port cities like

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yourselves,' they wrote, 'the charge of conquering the whole of the Maratha empire for a man who appears incapable of affording any effectual assistance in it.' The war was pronounced impolitic, dangerous, unauthorised and unjust."

<sup>41</sup> Cox, *Bombay Presidency*, 184.

Surat, the admiral of the Mughal fleet was responsible for safeguarding shipping against piracy off the coast, a common problem in the Indian Ocean trade. With Aurangzeb's death, a process of political fragmentation that had already been occurring began to accelerate. The Mughal governor of Gujarat, like the *nawabs* in Bengal, Awadh, and other provinces, attempted to establish sovereign control over the province while other Mughal officials vied with each other for the posts of *mutasaddi* and *qiladar*.

The key issue affecting all the potential officeholders in Surat was a chronic shortage of money, which made them vulnerable to outside conquest. Maratha raids in Gujarat in the 1720s led to the effective imposition of tribute payments and the conquest of twenty-eight districts (*parganas*) whose tax revenue supported the city of Surat.<sup>42</sup> For merchants in Surat, this meant that the city's Mughal governors increasingly relied on extortion to make up the shortfall in revenue. Between 1723 and 1726, merchants in Surat protested the regime's use of coerced loans but these were largely unsuccessful against an increasingly desperate establishment.<sup>43</sup>

Many of the partnerships between the British traders in Surat and Indian merchants arose not out of the Company's legitimate, public trade but through its factors' private trade. Indian merchant houses like those of the Parekhs and the Manikjis acted as brokers of the Company's public and private trade alike. However, these positions could be precarious, given that the family firms had to re-negotiate their positions whenever there was turnover in the leadership of the Surat council.<sup>44</sup>

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<sup>42</sup> Subramanian, *Indigenous Capital*, 32-33. "Of greater concern was the collapse of the administration in Surat itself after 1720, and the incursions of the Marathas against the province and their occupation in 1723 of the Athavisi or twenty-eight *parganas* from where Surat drew the greater part of her revenues. Imperial dictates after 1720 lost their sanctity as every Mughal officer began to covet the influential posts of *mutasaddi* and *qiladar*."

<sup>43</sup> Subramanian, *Indigenous Capital*, 32-33. "With a collapsing revenue structure under the pressure of commercial contraction and territorial loss, the ruling administration turned to the city merchant for 'help.' A frenzied wave of forced loans and extortions followed; for the city merchants this was the last straw. They resorted to agitational measures no less than five times between 1723 and 1726, though with little effect. "The policy of plunder of mercantile property was perfected under Sohrab Khan who became the *mutasaddi* in 1725. In a desperate bid to maintain his position as the governor and to keep the Marathas at bay, he resorted to large-scale extortions from the merchant community."

<sup>44</sup> Ghulam Nadri, "The English and Dutch East India Companies and Indian Merchants in Surat in the Seventeenth and Eighteenth Centuries: Interdependence, Competition, and Contestation," *The Dutch and English East India Companies: Diplomacy, Trade, and Violence in Early Modern Asia*, (Amsterdam University Press, 2018), 136-137.



The Company first became involved in the merchant agitations when in 1732 it threw in its lot with city merchants to help them oust the Mughal governor and install the nephew of the governor in his place. While the nephew was not a much better candidate, the importance of the action lay in its cementing of an alliance between the British and the merchant community in Surat.<sup>45</sup> The most important event from this perspective was the so-called Surat castle (fort) “revolution,” in which Surat’s merchant community asked the Company to take possession of Surat’s fort, thereby removing the authority of the Mughal governors of the city and making the Company *de facto* governors themselves.

From 1750 onwards, the proportion of merchants under Company protection had been growing until most of the city’s Hindu and Jain merchants were allied to the British. Muslim merchants in the city, some of whom had long-established shipping interests, were less sure about an alliance with the Company, given that this meant their own shipping would be displaced by British freight.<sup>46</sup> In addition, Indian merchants trading under British protection were allowed certain privileges, including the payment of lesser rates for permits to pass by the city’s fort.<sup>47</sup> Privileges like these were eventually removed by the city’s *faujdar* (the Mughal military commander who had possession of the fort.) The Mughal governors frequently sought tacit support, often coerced, from the local merchant community

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<sup>45</sup> Subramanian, *Indigenous Capital*, 34. “A general meeting of prominent merchants was arranged at Mulla Muhammed Ali’s residence (June 1732) to finalize a plan against the governor, oust him and install Teg Beg Khan in his place. The nagarshet of the Banias, Seth Laldas Vithaldas, was in full agreement with the project and he decided to involve the Surat Council in the protest movement. The English openly espoused the cause of the rebel merchants. The movement was successful; Sohrab Khan gave way to Teg Beg Khan. Thus the beginnings of English intervention – backed by Bania support – were made. That the merchants’ choice fell on Teg Beg Khan, the nephew who had milked them for Rs 400,000, was a commentary both on the limited vision of the merchants and the limited choice before them.”

<sup>46</sup> Subramanian, *Indigenous Capital*, 86-87. “The Bania merchants of the city, on the other hand, entertained a different impression of the English East India Company and showed themselves increasingly well disposed to the latter. Having switched over to the use of English carriage services for the transportation of their goods to the Gulf and Bengal they saw tangible benefits in accepting English protection on the Surat-Gulf run. The Gulf financial connection mattered to them even if the Gulf trade itself was for them only a subsidiary trading line in the second half of the eighteenth century. Likewise, the prominent position of the Bania traders in the supply of textiles and of financial assistance to overseas traders meant that as a group they were in a better position to extend their support to the Company. Political security and effective protection against the exactions and caprices of the ruling administration, moreover, figured prominently in their priorities.”

<sup>47</sup> Subramanian, *Indigenous Capital*, 93.

as well as the European companies for their increasingly punitive tax measures. A typical example can be found in the Surat Council's diaries from April 1752:

Sciddee Hoffis Mossoot Caun [the Sidi], Governor of the Castle, and Suffdir Caun, Governor of the Town, having for several days sent messages to the Chief [the EIC's Surat council head], desiring he would meet some of the principal merchants of the town to consider with them how to raise the two and a quarter lacks [lakhs] of rupees they had been obliged to promise the Marattas, in such a manner as might be most easy and agreeable to the inhabitants, and expeditious in the collecting, as twenty days had elapsed and the money is to be paid in forty more; the merchants likewise sent word to the Chief that they had allways esteemed the English as their head and best friends, we having on all occasions assisted them in their distresses, and now desired the Chief would permit them to come to the Factory and consult how to satisfie the pressing demands the Government made on the city...

They at first represented that the Sciddee was inclined to lay a General Tax on the inhabitants, which would be extreamly oppressive, for through the rapaciousness of the Collectors and the avarice of the Government, the people would pay from five to six lacks instead of two and a quarter, and it was in order to prevent this evil, they had desired to consult with the Chief, and hoped they should find some method of getting this money in a more gentle manner.<sup>48</sup>

Such representations to the British were common in the years leading up to 1758, creating a situation in which the EIC was considered *primus inter pares*. In 1758, events took a turn for the worse when the government in Surat forcibly seized merchant property that was ready to be shipped to Mocha, moving it instead to the vessel of a merchant allied to the regime. Violence in the city increased – in one instance, a man allied to the Sidi killed the nephew of a merchant allied to the British in the streets of the city, while general unrest broke out in anticipation of the advance of a Maratha contingent under the leadership of a local commander (referred to as Meah Atchund), which took the city in December 1758. By January 1759, the majority of the merchants in Surat had openly declared their support of the Company, espousing the belief that only the British could restore order.<sup>49</sup>

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<sup>48</sup> Forrest, *Selections*, 303.

<sup>49</sup> Subramanian, *Indigenous Capital*, 94-95. "...with the ruling elite always ready to change sides so long as it suited their interests and with the city's Bania community volunteering to support the English East India Company in their political campaigns, Spencer [Surat council head] saw no reason for further delay on the part of the Company to intervene in the city's politics."

The head of the Company's Surat council wrote to his counterparts in Bombay about their intention to take the city:

Since Atchunds being introduced, and especially of late, many acts of violence have been committed in town, supposed to be done by the dependants of the Sciddee [Sidi], and from Atchunds want of proper influence and the Sciddees son being most commonly in liquor, no inquiry is made into things or satisfaction given, though frequent murders are committed in the streets. These violences intimidated the whole place to a great degree, the trading part of it especially, insomuch that several people of substance have left the place since Atchunds coming, being apprehensive of being plundered by one or other party which must soon be the case to supply the necessities of the Government to pay their people.

From these and other interesting considerations it is that the whole body of merchants are desirous the Castle should be in our hands, and have expressed such their wishes to me through Jaggemant [Indian merchant agent], as they think it is the only step that can procure a lasting tranquility to the place and security to their persons and effects, from the confidence they have in the mildness of the English Government and in the authority the possession of the Castle would give us with the Government of the town.<sup>50</sup>

The Bombay council was largely supportive, seeing that the security of trade in Surat depended on the swift restoration of order, noting that “we reflecting on the ill treatment that we have long received from that Government and the Sciddee in particular, and the reasonable prospect of bettering our Honorable masters affairs, either by getting possession of the Castle and Tanka for them...as likewise on the present fair opportunity for carrying our designs into execution...the Proceeding on the expedition is approved.”<sup>51</sup> As seen in these passages from the Bombay council's deliberations, it is clear that the Company found its own interests, whether mercantile or political, closely allied with those of the discontented merchants of Surat. Wherever they could, the Company negotiated with Surat's Muslim merchants, who were still loosely allied with the government, and the Marathas, who held formal authority in the city but were happy to let the British displace the Sidi as fort-keeper and thereby act as guardians of the trade.

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<sup>50</sup> George W. Forrest, ed., “Letter from the Chief and Factors, giving an account of the state of affairs at Surat,” in *Selections from the Letters, Despatches, and Other State Papers, Preserved in the Bombay Secretariat*, Vol. 2, (Bombay: 1887), 95.

<sup>51</sup> Forrest, “Bombay Diaries: Bombay Castle, 6<sup>th</sup> Feb. 1759,” in *Selections*, Vol. 2, 94.

In March, a fleet from Bombay arrived to support the bombardment of Surat's fort. Finally, once the Company had secured the fort, they also obtained the rights to make appointments to the city government and to mediate disputes between the European companies and the new *nawab* (the Maratha commander, Meah Atchund, who had taken the city). These powers were given imperial imprimatur from Delhi and the official *farman* arrived in November 1759 through the auspices of the prominent Surat banking house of Arjunji Nath Tarvady.<sup>52</sup>

The "castle revolution" did not substantially change the Company's relationship to the province, however. It did help consolidate British control over the ports and coastal enclaves of Gujarat, but the Company used its new position as official *faujdar* mostly to safeguard its own trade and that of the Surat merchants allied to them. This led to an uncomfortable relationship with Bombay, where the Company's council was largely unaware of the politics of Surat, and therefore was unable to voice any concerns about the actions of the Surat council when disputes arose.<sup>53</sup>

In the 1760s a number of conflicts broke out between the Surat council and prominent Muslim merchants in Surat, who were increasingly shut out of the trade by the Company, who refused them permits and did not allow them to use their own freighting services. In addition, merchants like the Chellabies felt that the private trade interests of the Surat councilmembers interfered with their duty to protect the interests of the merchants in the city as a whole. Surat's Muslim merchants appealed to the Bombay governor for redress of their grievances and also sent letters abroad to the Ottoman authorities, who exerted further pressure on the Company's governors in London and Bombay. While Bombay was reluctant to interfere, London took a dim view of the abuse of privileges by the Company's factors in Surat and demanded an explanation.<sup>54</sup>

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<sup>52</sup> Subramanian, *Indigenous Capital*, 96.

<sup>53</sup> Subramanian, *Indigenous Capital*, 105.

<sup>54</sup> Subramanian, *Indigenous Capital*, 132-133. "The misuse of power by the Surat Chief and Council did not, however, go unnoticed. The Chellabies took the lead in 1763 in vocalizing their protests against the chief's manipulations. They informed the Turkish authorities at Mecca of the difficulties experienced in carrying on trade, but with no decisive

Meanwhile, the Hindu and Jain merchant-financiers allied to the Company continued to grow wealthy, as they were included in the freighting and licensing privileges that the Company maintained. In addition, like the Seths examined in Chapter Three, these merchant communities were connected to their kinsmen in other parts of India, including Bengal, making them crucial connections between the Company's money-changing and remitting activities between Calcutta and Surat and Bombay. In the latter part of the eighteenth century, many Hindu and Jain merchants migrated to Bombay to set up branches of their business there but continued to travel frequently between Surat, which remained the financial capital in the period, and Bombay. They were not only involved in the traditional professions of brokerage and lending but also in marine insurance and freighting.<sup>55</sup>

By the 1770s, Bombay had slowly overtaken Surat as the site of the Company's most profitable trade. This was in part due to the increasing stature of Bombay as a fortified city with a regular administration, free of the political factionalism and intriguing rife in Surat. In addition, the huge increase in revenue that flowed to the Company's operations in Bengal led to increased purchasing power in Calcutta, and most of the goods imported from Bengal came to Bombay. Historic sources of trade to Surat, including the Malabar coast and the Gulf, also started to reorient towards Bombay.<sup>56</sup>

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results. Ali Pasha, the Governor of Baghdad and Basra, took prompt action and in an undated letter to the Bombay Council urged the authorities to look into the matter immediately. Meanwhile, the Court of Directors too came to know of the situation and wrote to the Bombay Council demanding an explanation for the bar on Turkish vessels plying from Surat to Judda. They also wished to find out why the English were arrogating to themselves the exclusive privilege of carrying all Indian merchandise in their own ships. The Bombay Council in their consultation meeting of 3 January 1764 appeared reluctant to investigate the details of the situation but eventually the Governor of Bombay, Charles Crommelin, directed the Surat chief to offer an explanation for the state of affairs."

<sup>55</sup> Subramanian, *Indigenous Capital*, 142-143.

<sup>56</sup> Subramanian, *Indigenous Capital*, 129-131. "The location of Bombay, the harbour facilities the city commanded, and the protection guaranteed by the English EIC authorities and the Bombay Marine encouraged merchants to direct their operations from the island city.

"The growing volume of Bombay's traffic with Bengal and the Northward was a pointer to the enhanced status of the island city and to the fact that the latter had appropriated a sizeable share of the declining trade of Surat with Bengal...The available figures on the value of imports from Bengal that entered Surat through the Latty, or English Custom House, from 1730 to 1770 reflect a sharp drop in value from Rs. 11,000,000 to Rs. 3,000,000."

Private traders became more prominent in Indian financial markets from the 1770s onwards. The growth of Bombay allowed these private traders to circumvent some of the control exerted by Surat's prominent, native banking houses. However, even late into the eighteenth century, the Surat bankers were indispensable in moving money across the subcontinent, especially through territories riven by war and hostile to the Company. Eventually, however, the demands of private traders for openly accessible financial services not monopolized by either the Company or native merchant communities would lead to the dominance of British banking through Indian branches by the mid-nineteenth century.<sup>57</sup>

#### *Administrative and Social Relationships*

For much of its tenure before the revolution in Surat, the East India Company was not very involved in local politics, even though its military presence in Bombay continued to grow, and it became a much more forceful and interventionist actor. After the "castle revolution," as we have seen, the Company took on an official position in the Mughal bureaucracy of Surat but it did so in a limited manner that betrayed the Surat council's fundamental disinterest in using their position in Surat to become true administrators in Gujarat.

It was, therefore, in Bombay that the Company's administrative potential was fully manifested. In Bombay, administration was closely linked to the maintenance and policing of social boundaries between groups, even though the Company welcomed a variety of ethnic groups and nationalities into the city. As early as the seventeenth century, Bombay governor Gerald Aungier was said to have instituted impartial justice and freedom of religion for all of the inhabitants of Bombay.<sup>58</sup> He

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<sup>57</sup> Michelguglielmo Torri, "Trapped Inside the Colonial Order: The Hindu Bankers of Surat and their Business World during the Second Half of the Eighteenth Century," *Modern Asian Studies* 25 (1991): 384.

<sup>58</sup> Cox, *Bombay Presidency*, 115-116. "Aungier was one of the great men who have helped to create the fabric of the British Indian Empire. When he had built up the fortifications of Bombay he laid out the town, the first street being occupied by silk weavers from the decaying city of Chaul. He quelled a mutiny among English soldiers, and under the impartial

established a civil administration in the city that consisted of “clerks, clerk’s criers, constables, church wardens, a probate office, and an attorney and solicitor general. He even subdivided the island into Anglo-Saxon jurisdictions of ‘hundreds’ – Bombay, Mahim, Mazagon, and Sion – each with a justice of the peace (Bombay had two), who were to hold monthly assizes.”<sup>59</sup> This English form of administration was layered over existing Indian territorial units of administration, rather than parishes, and complemented with traditional, local courts called *panchayats*.<sup>60</sup>

Many of the administrative bodies set up in Bombay and Madras (and later Calcutta) were organized to help Company servants, mostly young men, adjust to the Indian social world, in which they were cut off from the institutions that had governed their entire lives in England. Company leadership attempted to enforce moral order and codes of conduct, including prohibitions against corruption, drunkenness, gambling, and other sorts of “unruly behavior.”<sup>61</sup> The Company also attempted to regulate marriage and inheritance practices, due to the frequency of marriages that took place between Company employees and non-British, non-Protestant women, including Indians, Portuguese Catholics, and those of mixed heritage. Much of the social regulation in Company towns was meant to grapple with an unprecedented social milieu in which high mobility for the purpose of trade and precarious living conditions in maritime frontiers prioritized ethnic identity, birthplace, legal status, religion, and race over traditional preoccupations with lineage and class.<sup>62</sup> This led to the early articulation of racial hierarchies, including the division of Company settlements into “white” and

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British law the first man to suffer death on the island was an Englishman. Seeing the mischief that had resulted to the Portuguese by mixed marriages he sent home for English wives for his English subjects. He secured the lives and property of the Company’s servants at Surat when a second attack was made by Shiwaji. Bombay became an asylum for the oppressed of all nations, where all might enjoy the free exercise of their religion. All might dispose of their dead with whatever ceremonies they pleased, and none of any nation were to be compelled to embrace Christianity. He secured for Bombay what was then the separate island of Colaba. When confronted with the difficulty of governing the motley population that sprang up he embraced the system of the panchayat, and upon its basis worked up a system of self government.”

<sup>59</sup> Stern, *The Company-State*, 27.

<sup>60</sup> Stern, *The Company-State*, 27.

<sup>61</sup> Mahesh Gopalan, “Maritime Society in an Early Modern Port City,” in *The East India Company, 1600-1857: Essays on Anglo-Indian Connection*, eds. William A. Pettigrew and Mahesh Gopalan, (Abingdon: Routledge, 2017), 120.

<sup>62</sup> Gopalan, “Maritime Society,” 115.

“black” towns, as occurred in both Bombay and Madras.<sup>63</sup> Legal and administrative protections were thus accompanied by the Company’s insistence that all those under its purview live within the fort and town, rather than establishing private residences outside, where British men would presumably be lost to Indian society and unwholesome influences.

One of the most important manifestations of civil authority in Bombay was the Mayor’s Court, which was established in 1728, creating a method of dispute adjudication within the city. Most of the cases the Mayor’s Court heard regarded disputes between merchants and inhabitants about the repayment of debts and the breaking of contracts. Despite the simultaneous existence of traditional local courts like *panchayats*, many merchants of various communities, including Parsis, Jains, Hindus, and Muslims, living near or in Bombay used the Mayor’s Court as a preferred site for dispute adjudication. These disputes covered a wide range of issues and encompassed a very diverse set of peoples, who all, by admitting their cases to be heard at the Mayor’s Court, accepted the Company’s jurisdiction.

This can be seen by considering even one example from the Mayor’s Court proceedings. During the same session of the court in January 1737, the judge heard the case of complainants Thomas Stonestreet and Rupjee Dunjee (a Parsi merchant) who were jointly suing two other Parsi merchants, both coppersmiths, for repayment of a debt on which the latter had defaulted. According to the signed contract they presented at court, the complainants claimed that they were due “a dwelling house situate in Bombay near the Portuguese church, belonging as appears by the said Bond to Jabajee Crisnajee and Champajee Popjee,” who were then ordered to honor the debt by mortgaging the house to the complainants.

In the following case, the Court heard the petition of a Muslim woman named only as Fattimah, along with three companions, who asked the Court to command the appearance of the local Muslim

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<sup>63</sup> Burnell, *Bombay in the Time of Queen Anne*, 20, 27.



religious officials, particularly the *qazî*, to hear a case of inheritance from the estate of a “Fukro Mahmud Aucatib.”

Later, a yeoman named Amadore de Cruz, perhaps of Portuguese descent, “appears in Court, and upon oath denounces his right of Inheritance to his said deceased Father’s Estate and Effects. But as he is a Creditor, requests that the administration of his deceased Father’s Estate and Effects may be committed to him, and he having taken the oath of an administrator, as well as to deliver into this Count an Inventory of his said deceased Fathers Estate and Effects by the 5<sup>th</sup> day of April next ensuing...”<sup>64</sup>

Such cases were representative of the widespread appeal of the Company’s legal jurisdiction, allowing as it did for the settling of disputes that may otherwise have been heard only in particular religious courts, which may have been biased towards non-adherents, or through private mechanisms, like dispute resolution within family banking firms. As was the case with the shipping passes, the Mayor’s Court was another British administrative tool that allowed Bombay’s inhabitants to pursue private aims through official channels.<sup>65</sup>

Like other administrative institutions in Company settlements, the mayor’s courts in Bombay and Madras used an English institutional form to channel local understandings of justice and restitution. This can be seen in the brief case of Fattimah, above, who used the Company’s court to summon the Muslim officials, like the *qazî*, in charge of dispensing justice according to Islamic jurisprudence in her

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<sup>64</sup> IOR/P/416/111, “Wednesday, 5<sup>th</sup> January 1736/37.”

<sup>65</sup> See Sheila Smith, “Fortune and Failure: The Survival of Family Firms in Eighteenth-Century India,” *Business History* 35, no. 4 (1993): 44–65 for a review of how Indian merchant firms used the Mayor’s Court to settle questions of debt and inheritance. Regarding passes, Tristan Stein argues that the shipping pass, until the late eighteenth century, was a political tool as much as a practical requirement of trade: “On the one hand, the pass system was an expression of European naval power and an instrument of maritime authority, wherein European powers required Asian merchants and shipowners to take out passes to avoid attack. On the other, Asian rulers and officials successfully required Europeans to grant passes to their subjects and to protect their navigation and trade. Merchants in Surat negotiated the terms under which they took out British passes, and Maratha commanders at the end of the 1730s forced the Bombay government to accept treaty terms that substantially reshaped the nature and workings of the British pass regime.” I would argue that the Mayor’s Court functioned in a similar vein.

inheritance case. Civil administration in Bombay also, therefore, served the goal of developing an official perspective on local customs and law and using the Company's institutions to serve as an arbiter between various constituencies. While this could be beneficial to local populations, it would also serve as the basis for an imperial anthropology that would later structure Indian society along lines of caste, faith, and ethnic identity.<sup>66</sup>

## **Conclusion**

Initially, the Company's outsider status led it to seek out relationships with local princes and merchants, especially since trade with the hinterlands was impossible without the intervention of Indian merchants. On their part, Indian merchants found that the Company was a more useful protector of their commercial interests than local princes, insofar as the Company was also a merchant and found its own trade just as disrupted by war between the Mughals and the Marathas in the eighteenth century.

The partnership that arose between Indian commercial elites and the East India Company was a natural outgrowth of political instability at the time. However, this partnership would also become the cornerstone of the emerging colonial order. Bombay, which began as the most vulnerable British outpost in India, would become a major seat of British power and direct the fortunes of British India, eventually emerging as the financial capital of independent India in the twentieth century. How and why this happened depended critically on the manner in which the East India Company began its tenure on the west coast, its openness to a variety of local partnerships and its fostering of certain allied Indian merchant groups, its ability to co-opt sometime-enemies like the Portuguese and the

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<sup>66</sup> Stern, *Company-State*, 97.

Dutch under its authority, and its consolidation of those alliances under monopolistic control in its move from Surat to Bombay.

Through its economic relationships, the Company was able to seize political authority at a time when all the native actors involved recognized that the possession of military force was crucial for the maintenance of stable trade yet feared that an actor without mercantile interests of its own, like the Maratha polity or the Mughal governors, would simply steal rather than produce. In short, what made the Company attractive as a protector was that its military and navy were used in the service of commercial ends that also benefitted allied partners.

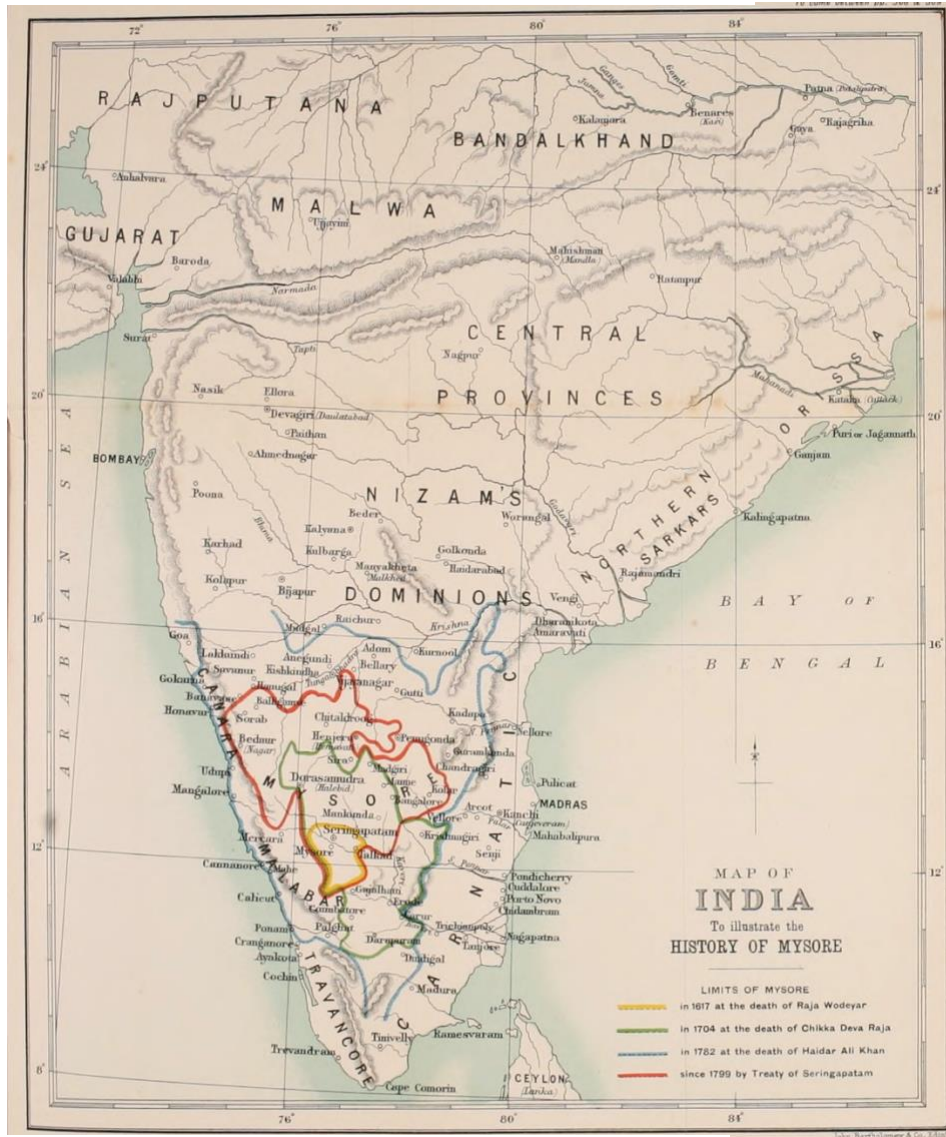
The mirror of this logic presented itself in military affairs. While the Company acted on its own behalf to secure territorial possessions and enlarge them, it also put its considerable military force at the disposal of allies, as Calcutta did in sending land and naval forces to aid the usurping Maratha *peshwa* in the 1770s. Of course, these alliances involved an exchange of revenues and territory for military support. In brief, the Company treated its coercive power as a commodity – selling it to high bidders and avoiding entanglements in which there was no profit.

The East India Company's easy ability to toggle between commerce, politics, and war made it a highly unusual actor, even by the standards of other joint stock companies in the early modern world, many of which were more constrained by bureaucracy and less empowered to act independently in Asia. The combination of its diverse set of prerogatives and its encouragement of private trade created a potent foundation for the transition to governing as a territorial entity with the monopoly of violence within its domains.

## CHAPTER FIVE

### Mysore's Merchant Sultans, 1760-1799

Map 2: Mysore in the Seventeenth and Eighteenth Centuries



Source: Benjamin Lewis Rice, *Mysore: A Gazetteer*, 1897.

## Introduction

The Kingdom of Mysore became autonomous in the mid sixteenth century and remained that way until its conquest by the British East India Company in 1799. At its height, Mysore occupied most of the territory south of the Deccan (most of modern day Kerala, Karnataka, Tamil Nadu, and Andhra

Pradesh), making it easily accessible to traders traveling inland from the Bay of Bengal and other Indian Ocean ports, although most of the kingdom's ports were concentrated on the Arabian Sea (along the Malabar coastline.) I consider the evolution of the kingdom into a commercial enterprise between the years 1760 and 1799, when regime outsiders, Haider Ali and his son, Tipu, were the region's rulers.

Mysore has become an increasingly important case for economic historians. As Burton Stein, David Washbrook, Prasannan Parthasarathi, and Kaveh Yazdani have shown, Mysore was one of the most developed states in eighteenth century India and demonstrated potential for an industrial, if not free-market, economy to emerge. For example, Yazdani notes: "Mysore's agrarian, commercial, manufacturing, military, technological, bureaucratic and overall economic dynamism opened a window and fed the transition towards a possible new socio-economic order – which, in the long run, could have stimulated an indigenous industrial revolution."<sup>1</sup> This conclusion has been corroborated by observations of the relatively high wages and living standards prevailing among laboring and artisan classes in South India in the eighteenth century.<sup>2</sup> Historians therefore speculate as to whether Mysore could have experienced an industrial take-off in the absence of colonial conquest.

As Muslim rulers who seized control from a long-reigning Hindu dynasty, Haider and Tipu had a particularly difficult task ahead of them in convincing traditional landed elites and merchant financiers to work with them to realize their vision of a state that wasn't simply mercantilist but also possessed its own trading enterprise, similar to European states and their mercantile companies. During Tipu's reign in particular, independent merchants were either exiled or heavily regulated and they were replaced with the state's own agents. This eroded private merchants' confidence that the state would protect their interests and property and they increasingly found other outlets for their business activity.

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<sup>1</sup> Kaveh Yazdani, *India, Modernity and the Great Divergence: Mysore and Gujarat, 17<sup>th</sup> to 19<sup>th</sup> Centuries*, (Leiden: Brill, 2017), 353.

<sup>2</sup> Prasannan Parthasarathi, "Rethinking Wages and Competitiveness in the Eighteenth Century: Britain and South India," *Past & Present* 158 (1998): 79-109.

In addition, both Haider and Tipu faced regular rebellion from the traditional landed elites, called poligars in the English sources. Rather than allowing elites access to profitable economic activity, the state tended to protect the proprietary rights of its peasant land-laborers, artisans, and metalworkers, directly contravening the traditional prerogatives of economic elites.

Perhaps due to the kingdom's long-standing mercantilist policies, Haider and Tipu found it easier to build a state owned and run commercial enterprise that cut out traditional merchant communities by building on existing monopolies on specific goods and crops. Consequently, Haider and Tipu were able to be true commercial governors for a short period of time. Haider and Tipu's strong patronage ties to political and military elites helped them secure and maintain military alliances and loyal troops, given that they themselves were born into and arose out of Mysore's decentralized elite military families. In their reigns, they successfully fought multiple campaigns against the Marathas and four wars against the British East India Company, all while maintaining a largely cohesive and salaried army.

Mysore's court and alliances during this time were premised on dynastic succession, promotion of Indo-Islamic norms and political practices, and the cultivation of charismatic authority. As a result, their ruling organization exhibited mixed social logics, with some practices drawn from traditional dynastic, kinship logics, but a large portion of their social repertoire was drawn from norms of kingship and spiritual authority that they hoped would connect their new regime to the old prestige of the North Indian, Muslim ruling houses. In addition, the establishment of their state-run enterprise relied on an existing strong foundation of centralized administration and relatively robust bureaucratic practices. As a result, their government was moderately open to relationships with outsiders, especially in political and military relationships with those seeking a patron, but outside relations with resource holders became increasingly less important as Haider and Tipu took bold steps to centralize the administration even further.

This chapter investigates how Haider and Tipu navigated the path from military campaigners to managers of a commercial state enterprise. First, I detail the social origins of the family and relate how their background informed their ideas of kingship and authority, both in politics and in commerce. I then look at their relationships with outside resource holders along the four dimensions of military, commerce and industry, politics, and religion.

Haider and Tipu exemplified the patrimonial bureaucratic practices common to royal households across South Asia at the time.<sup>3</sup> As such, the trading enterprise that they established relied as much on the existing mercantilist policies of Mysore's government as well as the willingness of their patrimonial bureaucracy of loyal retainers and handpicked agents, soldiers, and employees who worked on behalf of Haider and Tipu and formed the core of the new leadership of the state after the displacement of the Hindu dynasty. Noting the distinct characteristics of this period, the historiography at times refers to it as the *saltanat*, or sultanate, period.

*Table 6: Summary of Findings*

Organization	Social repertoires	Overall Openness	Commercial Governor?
Dynastic household of Haider Ali and Tipu Sultan	Familial; Ideological; Bureaucratic	<u>Regulated</u> Strong military ties, moderate political and social ties, and weak economic ties with outsiders	YES, for short time

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<sup>3</sup> Burton Stein, "State Formation and Economy Reconsidered: Part One," *Modern Asian Studies* 19 (1985): 387-413.

## **Social Repertoires of a Trading Dynasty**

### *Familial and Ideological Repertoires*

Households like Haider and Tipu's were historically both domestic economies as well as potential political groups. Weber called these groups "patrimonial," meaning that they were organized around a charismatic head of a kin group who maintained their organization through a set of personalist ties. Therefore, this section discusses the resources available to them in both repertoires, since Haider and Tipu's familial structures were inextricably linked to their religious community.

Patrimonial structures are generally found in marriage relations which cement political alliances and the expanding organization uses a familial, patriarchal notion of the household to encompass the territory it governs. Heads of such dynastic or patrimonial groups generally reward retainers through property in the form of land, treasure, or privileges, rather than through routine salary. Heads of groups also maintain a variety of revenue generating activities outside of their own households which transfer fees (for protection, for example) or land revenue (as in estates) to the organization. Patrimonial households that extend their authority over territory and acquire legitimacy become rulers of states or empires. As these polities become more sophisticated, formal methods of maintaining indirect rule through intermediaries, linked to rulers through patronage and charismatic ties, become more routine. Later these strategies of indirect rule become formalized into structures that some have called "patrimonial bureaucratic."

In the Mughal Empire, for example, the logic of the patrimonial but bureaucratic royal or imperial household necessitated holding on to a constellation of elite intermediaries, who were neither retainers or bureaucrats: "For example, patrimonial-bureaucratic officials filled positions that were loosely defined and imperfectly ordered - a situation very different from the articulated hierarchy of precisely circumscribed offices in a modern bureaucracy." This situation was present in varying degrees



throughout most of eighteenth-century India's kingdoms and the semi-independent provinces ruled by *nawabs*.

Haider and Tipu's household and regime also followed well-worn practices of Indo-Islamic rule. Where certain charismatic qualities were lacking in their own family history, these were added to the historical record. For example, according to their chronicler, the family's origins were in the Quraish caste of Mecca, which was also the Prophet's caste and could therefore have been an embellishment meant to connect Haider and Tipu to Muhammad's lineage and charisma. Haider and Tipu's ancestors were traders, in keeping with their caste profession, and they arrived in India by sea routes from Arabia rather than overland, as was more common at the time. Shaikh Wali Muhammad, Haider's great-grandfather, was a religious man who attached himself to a *dargah*, or saintly shrine, in South India. He married his son, Muhammad Ali, to the daughter of one of the religious men who served in the shrine.

During wars between the Mughals and the Bijapur *sultans*, the family moved to another city in Karnataka, where Haider's grandfather entered the service of a local lord. Muhammad Ali served as an agent of this local lord, maintaining his property, and he also possessed his own lands, which he farmed. Muhammad Ali's sons were encouraged to follow a life of religious devotion as their grandfather had done but having grown up in the class of landed elites in Kolar, they decided to enter the military service of their local rulers instead. Fateh Muhammad, Haider's father, went into the service of the *nawab* of Arcot (also known as the Nawab of the Carnatic), a neighboring principality, which was technically a *subah*, or province, of the Mughal Empire. Fateh Muhammad married the daughter of a *pirzada*, or religious elite descended from a venerated saint. This marriage likely enhanced the stature of the family among Muslims in South India.

In Arcot, Fateh Muhammad attained a high rank amongst the military officers, having in his command six hundred infantry, five hundred cavalry, and fifty *jazail-buridar* (rocket artillerists).<sup>4</sup> For

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<sup>4</sup> Hussain Ali Kirmani, *Nishan-e-Hydari*, trans. Colonel W. Miles, (London: William H. Allen and Co., 1842), 7-8;

reasons unknown, Fateh Muhammad left the Nawab's service shortly afterwards and entered the service of the king of Mysore. Fateh Muhammad's nephew who was a *nayak*, or commander of infantry in the employ of the king of Mysore, was perhaps the means for connecting Fateh Muhammad to the kingdom. He was not long in the king's service, however, and left to enter the service of a different *nawab*, who was a ruler in Sira, a town close to Mysore. There, he was given command of four hundred infantry and two hundred cavalry as well as charge over the fort of Dodaballapur.

Haider Ali was born in 1721 during his father's employment in Sira. After the *nawab's* death, the succession struggle that ensued led to a battle in which Fateh Muhammad was killed. After his death, his widow and sons were persecuted (Haider and his brother were reportedly captured and tortured), and their cousin, who was still in the service of the rulers of Mysore, arranged for them to be removed from captivity and had their household moved to Mysore. There, he ensured the military education of Fateh Muhammad's sons. As adults, Haider Ali and his brother were employed for a time in Chittoor (in modern day Kerala). However, their cousin soon recalled them to Mysore to join his household as warriors as his own wealth and standing grew. They entered military service under the king's younger brother, Nanjaraj, who was *dalwai*, or the military governor of the kingdom. Haider Ali's brother became the heir to his cousin's estate, and Haider continued to build his military career while serving under his brother.

In 1750, Tipu Sultan was born to Haider's second wife, Fakhr-un-Nissa, the daughter of a fort-keeper (*qiladar*). Tipu was named for the saint Tipu Mastan Aulia, whose shrine was in Arcot. Kirmani notes that in celebration of Tipu's birth, Haider "for forty days kept open his house for feasting and enjoyment, and opening wide the doors of his treasury, made all his servants and friends rich with his gifts. The rose buds of his friends' hearts expanded and blossomed in this breeze of pleasure; day by day, the *nagaras* [drums] of rank and fortune were beaten at his gates, and the blessings accompanying

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Mohibbul Hasan Khan, *History of Tipu Sultan*, (Calcutta: The Bibliophile, 1951), 3-5.

the propitious steps of that fortunate child increased in number; for even from the day of his birth, riches and power, it may be said, came in person to meet and do him honor...’’<sup>5</sup> In dispensing gifts to his retinue and friends, Haider augmented the prestige of his household and built a reputation for generosity. This was an important image to cultivate given that soldiers of the time were often soldiers of fortune who attached themselves to wealthy lords, as Haider and his brothers and cousins had themselves done.

Haider’s trajectory demonstrates the importance of his kin and religious community in advancing his military and political career. We see, for example, that Haider’s family were involved in a multiplicity of professions, including trade, religious patronage, farming, and finally military service, which gave the family multiple social resources to draw upon. Successive generations and branches of the family also differed in their choice of profession and geographic location, giving the family the flexibility to leverage various kin in the search of new opportunities, which is especially true for Haider’s father, Fateh Muhammad, who used his nephew as a channel into the wealthy and expansionist Mysore. It seems from the historical record that Haider himself might have followed his father and cousin in being an itinerant armed nobleman if not for his advancement within Mysore.

Spiritual authority also seems to have mattered greatly for how Haider and Tipu’s family behaved in their own household and how they were received by outsiders. A strong theme emerges in Haider and Tipu’s genealogy of seeking out connections to venerated saints and the shrines set up for their worship, both through service and through marriage. Tipu’s birth, which is portrayed as the intercession of the saint Tipu Mastan Aulia, replicates a common trope among Muslim rulers at the time of their heirs being divinely ordained, literal gifts of the venerated saint.<sup>6</sup>

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<sup>5</sup> Kirmani, *Nishan-e-Hydari*, 28-29.

<sup>6</sup> Most famously, this is how Mughal Emperor Akbar’s own son, Salim (later the emperor Jahangir) is said to have been born. Akbar’s pilgrimage to offer prayers at the tomb of Sheikh Salim, a Chishti saint, in Fatehpur Sikri to pray that his empress give birth to a son is a widely known story of divine intercession, meant both to legitimize the emperor as well as his offspring.

The mantle of religious legitimacy gained through association with Islamic piety and saint worship would later become important for how Tipu in particular would choose his ministers in government and his foreign alliances. This is further confirmed by Haider's use of monetary and symbolic goodwill to cement relationships with his wider patrimonial household - the strata of landowners, merchants, soldiers, and others who would have been in his service and would have been the same retinue he carried with him into Mysore's court.

Therefore, Haider and Tipu's challenge was to acquire the support of Muslim retainers and kin while simultaneously remaining careful not to alienate the Hindu elites who dominated the classes of landlords and petty princes as well as merchant-financier communities. While such sectarian lines were not as important in the eighteenth century as they would be later, they mattered insofar as rulers and elites associated with one another in relatively circumscribed kin and religious groups and used different ideological idioms to understand their obligations to one another and to the people they governed.

### *Bureaucratic Repertoires*

When Haider came to power in the 1760, he inherited a highly centralized and bureaucratic state. Mysore under the Wodeyars expanded its territorial reach, mostly through warfare and the co-optation of smaller princes and kings, in the late seventeenth and early eighteenth centuries. However, this expansion was constrained by the growing power of neighboring "successor states," which consisted of both suzerains and provinces of Mughal North India as well as the independent states that had emerged from the dissolution of the Vijaynagara Empire in South India. The resultant geopolitical competition forced Wodeyar Mysore to rationalize its administration, with administrative centralization reaching an initial high point under Chikkadevaraja, who also laid the foundations for a more explicitly mercantilist state policy.

By 1700, Mysore possessed a robust bureaucratic structure and had already gone through an initial period of state centralization. Chikkadevaraja had eliminated the independence of the class of elites related to the royal family (known as *prabhhus*), who controlled huge hereditary estates, and brought them into the formal administration of the kingdom. He also instituted a three-tier system of governance with districts (*sthalas*), counties (*hobalis*), and villages as revenue divisions which were managed at the district level by the dispossessed *prabhu* elites. Ministries staffed with official scribes were created at the center to keep records and manage the day-to-day business of the kingdom. Departments of the state included: Commercial, Revenue and Finance, Ordnance, and Treasury and Mint. In the late eighteenth century, a further two departments, Military and Marine, would be added. These departments contained advisory councils, composed of accountants and clerks, who reported to the minister in charge.<sup>7</sup>

State revenue came from the land revenue, which was the largest component of tax revenue, and from its monopolies on specific lucrative goods. In the region in and around Mysore, three distinct land regimes – those of the Mughals in Sira and Arcot, the Marathas in Thanjavur, and the Wodeyars in Mysore – existed simultaneously. These systems were fundamentally similar, but they differed in the roles and responsibilities of the intermediary elites, including their titles, the share of revenue to which they were entitled (as a fee or salary), and their role in transmitting the money to the state treasury. For the Wodeyars, the most important class of landholding elites were the largely Hindu *palaiyakkara/palegara*, or in Anglicized accounts, poligar, class. Poligars were the primary collectors of land revenue and the callers of military levies for the Wodeyar kings, until the regime decided in the

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<sup>7</sup> Nobuhiro Ota, “Successor State: Mysore,” in *A Concise History of South India*, ed. Noburo Karashima, (New Delhi: Oxford University Press, 2014), 244; Yazdani, *Great Divergence*, 220-223.

late seventeenth and early eighteenth centuries to begin reducing the power of the poligars through force and diplomacy.<sup>8</sup>

The revenue systems were highly detailed, with taxes collected according not only to the crops produced and the productivity of individual parcels of land but also on specific activities and the use of certain goods. In Maratha Thanjavur, for example, taxes were levied separately on items like lemons, butter, silk cloth, betel leaves, and sesame oil<sup>9</sup>; in Wodeyar Mysore the state collected what are called taxes but were most likely fees on textile looms, on marriage licenses, on large kettles in which clothes were dyed and cleaned, and on open doors, similar to window taxes prevalent in Europe at the time.<sup>10</sup> Mysore also relied heavily on revenue gained from duties on the import and export of more lucrative goods, especially commodities like sandalwood and pepper that were prominent in global trade.<sup>11</sup> The state further imposed customs and transit-tolls, as well as state monopolies on iron and tobacco.<sup>12</sup> Therefore, even before the mid-eighteenth century, when Haider Ali became the ruler of the kingdom, Mysore possessed a political organization that was highly bureaucratic and mercantilist in its leanings.

## Towards a Trading State

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<sup>8</sup> Mark Wilks, *Historical Sketches of the South of India in an Attempt to Trace the History of Mysore, Vol. 1*, (London: Longman, 1810), 201-206. Most of the poligars had been subordinates in earlier times to the *nayaka*, who had been military governors under the Vijaynagara and had used the period of the empire's weakening to build their own centers of rule across South India. As territorial authority further fragmented or new kingdoms arose, the *nayaka* class was displaced by other rulers, but the poligars remained central in the administration of rural life as they were the elites with the closest social connections to rural communities. The fundamental system prevailing throughout the subcontinent was one in which tax revenue was paid in kind or in coin through a fixed assessment of the productive land. By the eighteenth century, when the Indian economy was largely monetized, tax revenue was collected in money. Whatever tenant farmers could not pay in coin themselves, they paid in kind, or they exchanged grain for coin through state auspices or a local merchant house. Sometimes, tax farmers would assume responsibility for various tracts of land and pay the assessment to the state before collecting the expected produce from the tenant farmers. The fixed assessment in Wodeyar Mysore was thought to be equivalent to roughly one third of the produce produced on a given parcel of land.

<sup>9</sup> S. Chinnaiyan, "Tax Structure in Tanjore Kingdom under the Nayaks and Marathas (A.D. 1532-1799)," *Proceedings of the Indian History Congress* 66 (2006): 458.

<sup>10</sup> Wilks, *Historical Sketches, Vol. 1*, 205.

<sup>11</sup> Sanjay Subrahmanyam, *Penumbra Visions: Making Politics in Early Modern South India*, (Ann Arbor: University of Michigan Press, 2001), 71-72

<sup>12</sup> Benjamin Lewis-Rice, *Mysore: A Gazetteer Compiled for Government*, (Westminster: A Constable, 1897), 591.

Haider and Tipu were explicit about their interest in establishing a state-run trading enterprise and a navy that would carry on the international trade for the kingdom as well as deter piracy off the western coast. They understood that European, and especially British, power relied on their control over shipping and their dominance in maritime trade.<sup>13</sup> The trading enterprise they succeeded in establishing during their reigns and before Tipu's death was part of the state's bureaucracy. Indeed, their establishment of a navy was first housed within the government's Trade department and only later moved to its own Marine, or Admiralty, department.<sup>14</sup> The centralization of a trading enterprise within the auspices of the state was similar to the Portuguese strategy of crown-controlled trade. There were limited opportunities for public investment in the trade and no joint-stock format, as the latter would have been antithetical to the state's goals of limiting the activity of private merchants. The annual investment in the trade came from the state treasury, and the actual trade abroad was conducted by state-appointed traders who were organized into their own board (*malik ut-tijar*).<sup>15</sup>

However, even as they carried out their plans to build a navy and conduct factory-based trade abroad, Haider and Tipu also had to hold on to their land-based kingdom and protect their territories from encroachment and conquest by increasingly aggressive neighbors, including the Marathas, who regularly demanded tribute payments in acknowledgment of their imperial authority over the western coast, the Nizam of Hyderabad, and later the East India Company.

Many observations by contemporaries noted a gulf between the sultanate's organization and some classes of traditional elites. While Haider and Tipu maintained strong relationships with their administrative and military elite classes, they had less success at working with economic elites. Their justified paranoia that economic elites would work with the British and other Europeans led them to prohibit free trade in certain industries and to create an alternative corps of state agents for the conduct

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<sup>13</sup> Yazdani, *Great Divergence*, 172, 263.

<sup>14</sup> Kirkpatrick, *Select Letters*, Appendix E, xxxvi.

<sup>15</sup> Kirkpatrick, *Select Letters*, Appendix E, xxxvi, xlv; Appendix K, lxxvii-xcii.

of trade abroad and within India. In addition, Haider and Tipu seem to have prioritized the well-being of peasant proprietors over mercantile and landed elites, thereby disrupting the state's traditional relationships with these groups.

Ironically, the centralization of administration in Mysore, which would have been a boon to state development in any other period, proved self-defeating in a period in which elites could easily defect to other states and organizations, like the East India Company, that provided better terms of trade and protection of existing elite privileges – at least in the short run.

### *Military Relationships*

Given Haider's origins in the military elite of South India, it is perhaps no coincidence that his strongest ties were to his military commanders and soldiers. Even before he became the *de facto* ruler of Mysore, his early military victories were crucial for enhancing his standing and prestige among his armed retainers and allies. Later, as he engaged in demanding projects of state centralization and military reform, Mysore's military forces would become more bureaucratized, resulting in the severing of the traditional relationship between the state and landed elites (poligars) who were responsible for calling military levies.

Haider Ali came to power in the period of the Carnatic Wars, which were part of a global set of wars that the French and British fought with each other across North America, Europe, and Asia in the late eighteenth and early nineteenth centuries.<sup>16</sup> While Haider Ali served under his brother, as

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<sup>16</sup> In South India, the French East India Company had its main entrepot at Pondicherry and the British had theirs at Madras. The First Carnatic War was specifically part of the global spillover of the War of the Austrian Succession. In India, the British and French fought three battles, at Negapatam, Madras, and Pondicherry, which ended in a French victory in the overall conflict. Through these conflicts, various Indian rulers became implicated in the struggles between the French and British. The Nawab of Arcot, who was the ruler of the territory within which Pondicherry and Madras were both located, initially maintained neutrality between the two European companies. However, after the war, the Nawab of Arcot allied himself with the French. A separate treaty concluded in Europe ensured that the British were restored to their fort in Madras in exchange for the return of the French fort Louisbourg (in present day Nova Scotia.)



mentioned above, he distinguished himself in various military engagements, impressing Nanjaraj and serving the *dahwat*'s aims in Mysore's rivalries with its neighbors.<sup>17</sup>

During the Second Carnatic War, Mysore assisted its ally, the *nizam* of Hyderabad, Nasir Jung, who was locked in a succession struggle with his nephew. There, Nasir Jung was assassinated after his victory in battle, throwing his troops into confusion and leading to looting. Some French troops managed to seize hold of a part of Nasir Jung's treasure (presumably which had been brought with his troops and supply lines) while another part came into Haider Ali's possession. Haider used this money to bring more soldiers into his service and to train them with the help of French deserters from the war.<sup>18</sup>

Later, due to shifts in alliances, Haider joined the war on the side of the French, who ultimately lost the conflict. Despite his French allies' setback, Haider Ali returned from war with more men under his command and greater personal wealth, obtained through war plunder. He also managed to seize several English guns and increase the number of troops under his command with a total of 1,500 cavalry and 3,000 infantry, along with other irregular followers.<sup>19</sup> It was perhaps due to his experience

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<sup>17</sup> Kirmani, *Nishan-e-Hydari*, 23. "At this period, Hydur Ali had conducted himself with such prudence and discretion in Seringapatun [Seringapatam/Srirangapatnam], that all the Chiefs of the Government, the Raja himself, but chiefly his minister Nundi Raj [Nanjaraj]...were so fascinated by the goodness of his disposition and his bravery, that they distinguished him above all his peers, the Jamadars, Naikwars, and other officers of older standing; and the latter (Nundi Raj) favored and desired his promotion, as he considered him the leader of his troops, or the bravest man in the army. Hydur, having also been permitted to farm the *Jumabundi*, or land revenue, for the payment of his horse and regular foot, was now dignified with the title of Hydur Ali Khan; and neither in business nor pleasure did Nundi Raj ever separate himself from him."

<sup>18</sup> Khan, *History*, 6.

<sup>19</sup> B. Sheikh Ali, *British Relations with Haidar Ali*, (Mysore: Rao and Raghavan, 1963), 12. Initially, the British-backed claimant for Nawab of Arcot, Mohammad Ali, was successful in regaining control of his position. Robert Clive, who would later be pivotal in winning British control of Bengal, first attained fame here in successfully recapturing Arcot from the French. The stability of Mohammad Ali's alliances with other Indian rulers was short-lived, however. In 1752, he fell into contention with Mysore and the Marathas over his refusal to cede Trichinopoly to Mysore, which had been previously agreed upon. Joseph Francois Dupleix, who was the French governor of Pondicherry, used this opportunity to persuade the king of Mysore and the Marathas to support the French claim instead. This meant that for the last two years of the war, between 1752 and 1754, Haider Ali was one of the field commanders at the Siege of Trichinopoly, which was led by the French against Mohammad Ali and his British allies. The French siege was ultimately unsuccessful, and the war was considered a British victory.

fighting alongside European soldiers and armies that Haider became convinced of the necessity of reorganizing Mysore's military using European techniques.<sup>20</sup>

After the war, conflicts between Nanjaraj, who as *dahwai* had responsibility for the military, and the king, Devraj, had intensified. Mysore's military campaigns had brought state finances close to bankruptcy, and Mysorean troops had organized strikes, including sit-ins in Nanjaraj's living quarters, to protest the stop in the payment of their wages.<sup>21</sup> In addition, repeated demands for tribute payments came from both the Mughals and the Marathas during the late 1750s.<sup>22</sup> The king was left to resort to increasingly desperate measures to meet the tribute demands, including selling the valuables housed in various Hindu temples as well as forcing the bankers in the capital to turn over their agents (*gomasthas*) to the Mughal forces as security for the loans. Even then, much of the money was never paid. A similar demand from the Marathas soon followed, making the kingdom's situation increasingly desperate.

However, Haider counseled the king not to give in to the demands and instead to meet the Marathas in battle. Haider was appointed commander of all the Mysorean troops (*sipahsalar*) in order to repel the Maratha advance. Many recalcitrant military officers, who had refused to take the field, were now persuaded to return to battle. The force that Haider gathered together comprised not only Mysorean Hindu *jamadars* but also Muslim officers who had fought in the succession struggles in

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<sup>20</sup> Yazdani, *Great Divergence*, 241.

<sup>21</sup> Khan, *History of Tipu Sultan*, 7; Kirmani, *Nishan-e-Hydari*, 41. One notable strike was organized by one of Nanjaraj's military officers, a *jamadar* named Hari Singh, while Nanjaraj was still encamped in the field. To end the strike, Nanjaraj was forced to hand over anything of value in his own supplies, and after receiving this as payment, Hari Singh left the field with his own men and baggage train. Haider Ali apparently found this episode intolerable and advised Nanjaraj to punish Hari Singh and other similar rebellious military elites who had ignored or failed to perform their military obligations. Apparently, Nanjaraj found this advice convincing, for he dispatched Haider to deal with a variety of refractory military elites in the immediate aftermath of the war.

<sup>22</sup> Lewis-Rice, *Mysore*, 374-375. In 1755, Salabat Jung, who as the Nizam of Hyderabad was the Mughal *subahdar* of the Deccan, entered and occupied the area around Srirangapatnam in response to Devaraj's inability to meet the demand for the arrears in tribute due to the Mughals, which had gone unpaid during the war years. With the conclusion of the British and French campaigns, the Marathas and the Nizam of Hyderabad had returned to a longstanding dispute over who was owed the tribute payments from Mysore. In 1757, the Marathas similarly invaded and occupied the territories around Srirangapatnam. Haider was now forced to return from his duties in the field, as Devaraj had decided to revoke Haider's *jagirs* to pay the tribute demands.

Hyderabad and Arcot, as well as European mercenaries, reflecting the broad base of Haider's military relationships.<sup>23</sup> Nevertheless, due to the chaotic state of the state's finances, many poligars and *jamadars* refused to commit their troops in battle against the Marathas for uncertain pay.<sup>24</sup>

These early experiences perhaps led Haider to understand the importance of reducing the authority of traditional poligars and moving towards a salaried, professional army. Many of the military campaigns he fought were intended to reduce the authority of poligars and the state's dependence on them for military power. As he did so, he brought more land and revenues under direct state administration. Haider was also made responsible for collecting revenues that had been withheld by various poligars throughout the country during the course of the war. This included violently subduing military elites who had responsibility for revenue collection in the western parts of Mysore.<sup>25</sup>

For example, Haider suppressed poligars in the districts of Palni and Virapachy, which fell within the territory of Dindigul (in present-day Tamil Nadu), where he was appointed as a *faujdar*, or commander of a fort and the troops attached to that fort. During this time, he further increased the number of men who served under him, optimized his artillery, and established an arsenal with the aid of French engineers.<sup>26</sup> Later, in return for suppressing a rebellion of traditional Muslim military elites in Malabar (Mapilla rebellion), the king awarded Haider the *jagir* of Bangalore. This meant that Haider held those lands and titles, including the responsibility for the security of the region and the collection of the tax revenue, in his own name. Haider continued to impress Nanjaraj, the *dahwai*, with his loyal service and soon became indispensable to the state.

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<sup>23</sup> Kirmani, *Nishan-e-Hydari*, 50.

<sup>24</sup> Kirmani, *Nishan-e-Hydari*, 51, 55.

<sup>25</sup> Kirmani, *Nishan-e-Hydari*, 44. "In this expedition those persons who, according to requisition, came forward with a good will, and did their best to provide the sum demanded, he spared in life and property; but on the contrary, those who disobeyed his commands, and, without having the license or exemption of the Raja, refused to pay the required tribute, he so completely destroyed, that their names, and those of their children, were erased from the book of time."

<sup>26</sup> Khan, *History of Tipu Sultan*, 7. This was perhaps the beginning of a long-lasting alliance between Haider Ali and the French.

Following these campaigns, Haider was drawn into another struggle to resolve the state's finances, where unpaid *jamadars* were still protesting the delay in the payment of the arrears owed to them from the previous years' campaigns. In effect, the unpaid military officers, who were also part of the class of landed elites, had paid the expenses of war out of their own households, including provisioning and maintaining their troops. As such, they were creditors to the state. However, many of the *jamadars* were also noted in the account books as requiring payment for a number of cavalry and infantry that they did not in fact maintain.

Haider took advantage of this discrepancy to rearrange the Treasury's account books to turn many of the creditors into debtors instead.<sup>27</sup> Many of these landholders were thereby required to give up their personal possessions, including horses, camels, and elephants, to settle their "debts" and forced to leave the capital destitute. Meanwhile, Haider used the new revenues to pay those men who had accompanied him in battle against the Marathas, an action that cemented his reputation as a loyal and generous patron.<sup>28</sup>

In this period, Haider worked relatively closely with Khande Rao, the finance minister, to reorganize the state's finances in order to prevent the sort of cheating that military leaders had otherwise engaged in to pocket the difference between their tax obligations on paper and what they realized in actuality. Khande Rao was known for his financial genius, while Haider came to be known for his prodigious ability to remember minute details of government accounts and expenditures. In his account of Haider's early ascendance to power, Mark Wilks notes: "The consultations of these two

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<sup>27</sup> Kirmani, *Nishan-e-Hydari*, 59-60. The discrepancy between central accounts and the reality of the number of men and horse actually mustered in the military levies was a problem that plagued the system of exchanging land for military obligations that prevailed throughout the subcontinent. "For, in fact, the Jamadars of a thousand horse had present at that time only six hundred; those of five hundred, but three hundred, and those of two hundred but half as many; although, by the collusion of the writers of the Pay Office, and the Vakeels or agents of the regiments, they extorted pay for the full complement...as soon as the clear-headed Hydur understood this excessive roguery, he immediately sent for the Jamadars and took the muster of their men and horses; and being much vexed at the villainy of the accountants of the Treasury, he deducted the amount overdrawn for absent or non-effectives, from the day on which the Jamadars and their companies were received into the service, to the very day he mustered them."

<sup>28</sup> Kirmani, *Nishan-e-Hydari*, 60; Wilks, *Historical Sketches*, Vol. 1, 351.

persons produced a system, regularly organized, by which the plunderers received, besides their direct pay, one half of the booty which was realized : the other half was appropriated by Hyder, under a combination of checks which rendered it nearly impossible to secrete any portion of the plunder.”<sup>29</sup> This reorganization of the state’s finances did not permanently solve the state’s fiscal crises but it did mark an advancement of the state’s knowledge of how expenditures on soldiers’ pay and provisions were made.

In 1759, Nanjaraj was forced out of his position as military governor as a result of the king’s fear that Nanjaraj had grown too powerful, as he held most of the real authority in the state.<sup>30</sup> This left a critical opening, which the king filled with Haider, who took over Nanjaraj’s position as first minister in Mysore’s government. Eventually this created an equivalent problem for the royal family, resulting in a conspiracy between the finance minister and the dowager queen to oust Haider from his position, for which they allied themselves with the Marathas in the hope that the Marathas would rout Haider in battle.<sup>31</sup>

Haider was forced to flee his home in the capital with whatever valuables he could take to Bangalore, where the fort-keeper (*qiladar*), who was a close friend, contrived to have him smuggled into the city.<sup>32</sup> There he regrouped whatever allies he could find, largely officers who had served with him before, and he met with the bankers and merchants in the city who loaned him close to five million rupees for the purpose of paying and outfitting soldiers.<sup>33</sup> Haider also wrote to his brother-in-law to bring his troops to Haider’s aid at Bangalore. Although prepared for war, Haider never had to fight, as the Marathas were distracted by campaigns in the north. With the withdrawal of the Marathas from the field, Haider was easily able to confront and defeat Mysore’s assembled forces and return to

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<sup>29</sup> Wilks, *Historical Sketches*, Vol. 1, 351.

<sup>30</sup> Bowring, *HA&TS*, 31.

<sup>31</sup> Khan, *History of Tipu Sultan*, 8; Lewis-Rice, *Mysore*, 363, 378.

<sup>32</sup> Kirmani, *Nishan-e-Hydari*, 77-78.

<sup>33</sup> Kirmani, *Nishan-e-Hydari*, 78.

Srirangapatnam. There, having jailed the finance minister and either threatened or persuaded the other ministers of state, by 1761, Haider was the undisputed *de facto* ruler of Mysore.<sup>34</sup> Haider's alliances with specific officers of government and military were constructed using loyalties forged in battle as well as payments he made of his own household treasure to those who were willing to fight for him.

Between 1763 and 1767, Haider engaged in various campaigns to quell poligar uprisings throughout the kingdom, especially since unrest at the borders of the kingdom unduly exposed the capital and its environs to Maratha invasion and occupation.<sup>35</sup> Despite the strain these campaigns and subsequent tribute demands placed on the kingdom's resources, Haider seems to have been committed to maintaining the loyalty of his soldiers as well as winning the goodwill of the common people.

For example, after his important conquest of Bednore (Nagara, in Karnataka, today), Haider captured the contents of the treasury in Bednore, which reputedly totaled nearly twelve million pounds sterling at the time.<sup>36</sup> Haider also received tribute payments from defeated local elites.<sup>37</sup> He redistributed some of this wealth to high ranking officers under his command, who were awarded with land and revenue assignments.<sup>38</sup> In most of Mughal India, these revenue assignments were made through bureaucratic channels, but Haider, who spent most of his time on the battlefield and not in the capital, tied land awards to loyal military service instead.

Haider's early efforts at centralizing the state also resulted in sidelining poligars in favor of common cultivators. For example, during the conquest of Sira, Haider reduced an important Hindu

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<sup>34</sup> Lewis-Rice, *Mysore*, 380-381. It is unclear whether Haider and his relatives and friends could have survived a prolonged battle against the Marathas; however, they were not long required to do so. The Marathas, who were simultaneously fighting the Durrani Afghans at Panipat near Delhi, faced a defeat in the North which forced them to negotiate a peace with Haider.

<sup>35</sup> Lewis-Rice, *Mysore*, 383. A Maratha invasion of Mysore in 1765-1766 laid another heavy tribute demand on Mysore and resulted in the Marathas regaining most of their lost territories in Mysore's north while Haider managed to hold on to Sira. Meanwhile, Mysore's eastern territories were in rebellion.

<sup>36</sup> Bowring, *HA&TS*, 38.

<sup>37</sup> Kirmani, *Nishan-e-Hydari*, 141-142.

<sup>38</sup> Kirmani, *Nishan-e-Hydari*, 139.

poligar, Narayan Swami, who had resisted the Mughals and now resisted Haider, unsuccessfully. He thereby alienated the poligar as well as the merchant-financiers who sheltered in his fort and depended on Narayan Swami for protection from extortion.<sup>39</sup> At the same time, however, in the same province, Haider “pleased the hearts of farmers and husbandmen, by advances and aids of money, bullocks for the plough, seed and instruments for the cultivation of the land, and he moreover gave strict orders, to foster the population, and increase the population, and remitted the share of produce belonging to the government for one year.”<sup>40</sup>

Between 1767 and 1773, wars with the British and the Marathas occupied most of Haider’s attention. Haider was successful in checking the British, which exacerbated the Company’s fears of Mysore as a rival, but he was less successful against the Marathas, who levied more demands for tribute that Haider could not avoid.<sup>41</sup> The losses incurred in war against the Marathas spurred Haider and Tipu to regain their lost territories. The reconquest of these territories was accompanied with punitive

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<sup>39</sup> Francis Buchanan (Hamilton), *A Journey from Madras through the Countries of Mysore, Canara, and Malabar, Vol. 1*, (London: T. Cadell, 1807), 330. “...Chica Bala-pura belonged to Narayana Swami, a Polygar, who possessed also Doda Bala-pura, Devund-hully, and Silagutta, a country producing a yearly revenue of 100,000 Pagodas. He resided chiefly at Chica Bala-pura, and Nandi-durga was his principal strong-hold; from the strength of which he had been able to resist the power of the Mussulmans of Sira. This place then contained a thousand houses of merchants or traders; and, although not a fortress of much strength, it was a mart of great importance. Hyder after reducing the neighbouring countries, laid siege to it; and the Raja, unable to resist, agreed to pay 100,000 Pagodas; but after some delay the Mussulman was persuaded to go away with only 60,000. These the Raja levied by a contribution from the merchants of this town, which was not given without great reluctance, and is considered as the commencement of their misfortunes. Soon after, the Raja of Gutti coming to the assistance of his friend Narayana Swami, that Polygar became refractory, and again drew upon himself the anger of Hyder, who took all his forts, and expelled him from the country. The place continued to enjoy considerable prosperity under Hyder, although, in consequence of the contribution exacted by the Raja, many of the mercantile houses had withdrawn; for in India, as elsewhere, merchants cannot endure to be taxed.” A *pagoda* was a unit of currency commonly in use in South India which was minted in gold or half-gold coins. In Madras, a British star pagoda was 100 coins and worth Rs. 350.

<sup>40</sup> Kirmani, *Nishan-e-Hydari*, 161.

<sup>41</sup> Bowring, *HA&TS*, 51-58; Lewis-Rice, *Mysore*, 387. After the war, Haider put further revenue demands on territories in Kadapa and Karnul, which had been awarded by the Nizam of Hyderabad, and on the poligars of Sira, in order to replenish his treasury in preparation for an impending Maratha invasion. The invasion, which occurred in 1770, was a crushing defeat for Haider - with most of his troops destroyed, he and Tipu had to flee for their lives. In 1772, Haider concluded a treaty with the Marathas in which he was bound to pay 300,000 rupees personally while the balance of the tribute payment was made up in ceding the territories of Kolar, Hoskote, Dod Ballapur, Sira, Madgiri, Chanraydurga, and Guramkonda. During this war, several poligars remained loyal to Haider while others used the opportunity to side with the Marathas.

tribute and tax payments, which fell on the poligars who had assisted the Marathas as well as the state's official revenue collectors, known as *amildars*, who were required to replenish state coffers.<sup>42</sup>

Administrative changes were also made to the military. First, the standing corps of soldiers saw their pay schedules changed, from receiving a wage monthly to receiving a bi-monthly payment for only ten months out of the year. In addition, Haider created a new corps of soldiers, called the *chela* battalions (*chela* meaning disciple or follower), using boys and young men who had been taken as prisoners during the military campaign in Chitradurga. The boys underwent religious conversion and were turned into a dedicated fighting force.<sup>43</sup>

Haider was also open to the instruction and participation of European officers of various nationalities and to European mercenaries joining his military and reforming his artillery and equipment. He established the *risalah* system, which organized soldiers by number and division, and he used the expertise of English, French, Portuguese, and German soldiers to improve the efficacy of his military: "This invigorated his troops and, indeed, a contemporary wrote that 'During the engagement Hyder's artillery was managed with equal skill, and fired as briskly as those of the English, a circumstance never experienced before from any of the country powers.'" By 1780, it was reported that there were about 1,500 European mercenaries and European-trained soldiers in the Mysore army.<sup>44</sup>

Early evidence of ship construction continuing and growing more sophisticated appears in the period between 1775 and 1780. These were largely constructed in Jamalabad, near Mangalore,

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<sup>42</sup> Bowring, *HA&TS*, 66; Lewis-Rice, *Mysore*, 388-390; Kirmani, *Nishan-e-Hydari*, 340-342. A particularly long siege was fought from 1777-1779 against the poligar of Chitradurga, who according to Kirmani, would not accept a position as one of Haider's *jagirdars*, even after other poligars fighting with Haider were requested to negotiate a truce on his behalf. Morari Rao, who had been left in charge of Gutti (Gooty, in modern-day Andhra Pradesh) by the Marathas, also refused the tribute demand, but he was eventually removed, his fort taken, and all the dependent territories of Gutti added to Mysore's dominion. The conquests effectively restored to Mysore all the territories between the Tungabhadra and Krishna Rivers and made all the poligars and the forts they controlled into tributaries.

<sup>43</sup> Bowring, *HA&TS*, 74-75.

<sup>44</sup> Yazdani, *Great Divergence*, 242-243.



reinforcing the importance of securing earlier conquests along and near the Malabar Coast.<sup>45</sup> The development of Mysore's navy was meant to combat the East India Company's maritime dominance on the western coast, and the Mysorean fleet was deployed against British ports and garrisons to great effect in 1780 at the beginning of hostilities.<sup>46</sup> Ultimately, these ships were also meant to safeguard Mysore's trade with countries along the Indian Ocean littoral.

Haider died of illness in the midst of the Second Anglo-Mysore War which occurred between 1780 and 1784, and his state officials displayed an extraordinary amount of restraint and discretion in ensuring an orderly transition for Tipu.<sup>47</sup> At the end of Haider Ali's reign and the beginning of Tipu's, many poligars were still necessary as connections between revenue agents and the class of cultivators and peasants who worked the land, and they were necessary as well as for calling military levies that supplied military campaigns. However, unlike the Wodeyars, who had begun the process of bureaucratizing the state by forcing poligars to move to Seringapatam and give up their inherited titles, Haider and Tipu simply removed untrustworthy poligars and stamped out subsequent rebellions by

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<sup>45</sup> MacDougall, *Naval Resistance*, 154-155. "Over the next few years, through the amassing of essential materials and shipbuilding expertise, Haidar Ali was able to oversee construction of a number of frigates, these variously armed with 28 and 26 guns, together with a number of 12-gun ketches. We have the following description of work being undertaken at Onore in 1775, provided by an English visitor:

Here are two frigates building near the castle; one of thirty-two guns and the other of twenty-four guns... We went on board both of them and were surprised to find the work so well performed, particularly as they are the first ships of great burthen that have been built in Haidar Ali's country. When finished they will be two complete frigates, being very strong and of a fine mould; they have a prow and are what they call 'grabs' [*ghurabs*] and one of them is larger than the Bombay 'grab.'

"Unfortunately, spare though it is, this is one of the few descriptions given of either Haidar Ali's vessels or shipyards."

<sup>46</sup> MacDougall, *Naval Resistance*, 143. "Later that same year [1780], Haidar Ali's troops were besieging Tellicherry (Thalassery), his warships ensuring that the Company could bring little in the way of supplies to help the settlement... In admitting the urgency of the situation, he [Admiral Edward Hughes] declared that the garrison, through the activities of Haidar Ali's fleet, had been 'reduced to great want of every article essential to its longer defence.' Having ensured the safe arrival of a number of supply ships, he ordered the 28-gun *Coventry* to remain in these waters 'to protect and convoy the trade up the coast against Haidar Ali's fleet.'"

<sup>47</sup> Lewis-Rice, *Mysore*, 398. As a testament to the efficiency and discipline of the ministers of state, they planned and managed to keep Haider's death a secret until Tipu arrived in camp to take command. A plot contrived of by one of the military officers to seize the treasury and proclaim Karim as ruler was discovered and stopped well before Tipu arrived. The Treaty of Mangalore, which restored the pre-war territorial arrangements, was signed in March of 1785. Mangalore, which had been occupied by the British during the course of the war, was returned to Tipu.

deporting large portions of refractory populations. This was perhaps due to their experience during the Second Anglo-Mysore War during which poligars in Coorg, Malabar, and Chitoor took advantage of the confusion of war to rebel against the Mysore government.

It is likely that Tipu re-inserted his own loyal officers and kin into positions as *jagirdars* instead of maintaining traditional poligars.<sup>48</sup> As Tipu's reign progressed, he successively eliminated many of the poligar intermediaries. This would lead East India Company surveyors to describe Mysore's "feudal system" as "broken," upon the cession of the territory to the British in later years.<sup>49</sup> As a result, Tipu had the backing of a much stronger and much more centralized state than his father had, which allowed him to pursue a much more ambitious policy vis-à-vis the state's trading enterprise. By the time Tipu became ruler, much of the Mysore army had modern flintlocks, uniforms, an officer corps, and training manuals, putting them ahead of other native states, whose armies still relied on traditional levies.<sup>50</sup> Mysore's military transition, therefore, reflects the importance of ideological and charismatic social logics early in Haider Ali's reign as well as bureaucratic logics as his reign progressed, finally materializing in a salaried, standing army during Tipu's reign.

### *Economic Relationships*

Haider Ali was known best for his military campaigns and his genius in the battlefield. While Tipu was also a distinguished soldier, he was also much more aware of the economic underpinnings of state power and geopolitical rivalry, as these became central issues during his reign. As in military affairs, the state pursued central control in industry and commodity trading. The laws establishing state monopolies were paired with import restrictions that prevented private merchants to continue trading

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<sup>48</sup> Alexander Beatson, *A View of the Origin and Conduct of the War with Tippoo Sultaun*, (London: W. Bulmer and Co., 1800), Appendix XLIX, p. clxx.

<sup>49</sup> Buchanan, *A Journey*, Vol. 2, 551.

<sup>50</sup> Yazdani, *Great Divergence*, 244.

without oversight from the state. They were forced to make the purchases for their commercial activity from Tipu's agents who ran shops that charged inflated prices; merchants found evading the import restrictions faced punitive measures from the state. The inability of private merchants to continue trading in Mysore without interference from the state was one likely cause of the Fourth Anglo-Mysore War, even as it was meant to deprive Mysore's British rivals in Madras of coveted income from trade.<sup>51</sup>

In the late 1780s, Mysore's government monopolized the trade in precious metals including gold, silver, and copper. This was followed by monopolies on pepper, betel nut, cardamom, and sandalwood, some of the most lucrative spices and woods traded from the Malabar coast. To this end, Tipu enlarged Mysore's navy, intending it for not only military purposes but also for trade missions with foreign Muslim rulers, like the Ottomans.<sup>52</sup>

Mysore established factories, much like the European trading companies' factories, in a variety of cities along the Indian Ocean littoral, including an important one at Muscat, which exported saffron-seeds, silk-worms, horses, pistachio nuts, rock-salt, pearls, raisins, sulfur, and copper to Mysore, and Ormuz (a port city that was located near modern day Bandar-e-Abbas), and Jeddah. To these places, Mysore exported sandalwood, pepper, rice, ivory, and cloth. Attempts were made to establish factories in Basra and Aden. Tipu also continued a long-term trading relationship with China, for which he provided armed convoys so as to protect against European piracy, and he sent emissaries to the kingdom of Pegu in Burma to open trade relations there.<sup>53</sup>

Monopolized goods were only allowed to be sold through government-owned warehouses that could be found throughout the kingdom. Tipu's orders for the management of this trade stated: "In your district there are banker's shops established under the control of the Milikatugar [*malik ut-tijar*]:

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<sup>51</sup> Yazdani, *Great Divergence*, 175-178.

<sup>52</sup> MacDougall, *Naval Resistance*, 155-156.

<sup>53</sup> Khan, *History of Tipu Sultan*, 344.

you are to give the Shroffs and clerks the allowance which is fixed underneath, and you are to advance to each of them 1000 Pagodas, to enable them to deal in gold, silver, and copper, &c. If any other Seethee or Wurtuck [heads of merchant communities], shall, in future, of himself, deal in these articles according to the mode practiced heretofore, he is to be considered as a defaulter to Government, and be fined; if they deal with the Shroffs appointed as above by Government, there is no objection to it.”<sup>54</sup> Private merchants then bought these goods at fixed prices. There is also some evidence that the state attempted to monopolize moneylending and money-changing, but it had less success in doing this because of the strongly entrenched merchant-banker networks that controlled the movement of bullion and goods across the subcontinent.<sup>55</sup> Perhaps in order to interrupt the merchant networks, Tipu was known for establishing new market towns and pushing commodity merchants towards populating these new centers.<sup>56</sup>

In addition, Tipu prohibited merchants linked to commodity and financial markets outside Mysore from passing through Mysore’s territories or linking Mysore to foreign traders. In 1786, Tipu remarked to Pierre-Antoine Monneron, a French sea captain that he “prohibited the export of linen from my states by the Carnatic route because I know that the English are doing considerable business with it and I do not want to contribute to their profits. I had two Indians from Pondicherry arrested who were buying linens of Ceylon from the English...”<sup>57</sup> More evidence in this vein suggests that there is good reason to believe that Mysore’s import restrictions were meant primarily to undermine British trade in response to the conflict with Madras. Another example were the infamous restrictions placed

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<sup>54</sup> Charles Francis Greville, “Mysorean Revenue Regulations: Article 104,” trans. Burrish Crisp, in *British India Analyzed: The Provincial and Revenue Establishments of Tippoo Sultaun and of Mahomedan and British Conquerors in Hindostan*, (London 1793), 68.

<sup>55</sup> Yazdani, *Great Divergence*, 173-175. “Perhaps the agency of indigenous merchants and *sarrafs*, in strengthening *John Company*’s foothold in India – as the example of Bengal or Surat may have demonstrated – contributed to the state-centered economic measurements, the monopolization of trade and the limitations set upon segments of the local mercantile community.”

<sup>56</sup> Buchanan, *A Journey*, Vol. 1, 301.

<sup>57</sup> Quoted in Yazdani, *Great Divergence*, 177.

on the salt trade, which instructed state officials to direct salt traders to gathering salt from Mysore's dependent territories rather than from Madras:

Heretofore merchants and traders under this Government have been accustomed to go to the dependencies of Cheenapatam [Madras] to purchase salt and other articles. All intercourse with that province is now forbid: and you are to notify to the merchants, that salt abounds in Khoshaulpore, Kooriaul, Dhonavir, Merjaun, Angola, and other places at the foot of the Ghauts, dependent on Nagore, and in the dependencies of Calicut; and direct them to go to whichever of these places is nearest to that of their residence, for the purchase of salt, and not to go to the dependencies of Cheenapatam. -If any merchant, in disobedience of this order, shall privately go into the Cheenapatam province, for the purchase of salt, &c., you shall, after enquiry, seize his Zindigaunee [livelihood] with his cattle, and also the salt, for Government; and moreover fine the offender, and threaten him so as to deter him from the like offence in future.

If merchants belonging to Cheenapatam province shall come into the dependancies of this Government, for the purchase or sale of goods, salt, &c., you shall make them prisoners, and seize their cattle and goods for Government; and you shall report the matter to the Huzzoor [authorities], and attend to such order as shall be given.<sup>58</sup>

As a consequence, smuggling through other means flourished:

It is here [town of Kingara] alleged, that Tippoo's regulations, prohibiting trade to the dominions of the Nabob of Arcot, were very ill observed, and that passports were privately given to traders by the principal officers of government. The Sultan's table was served with country salt, and his nobles attended the court in their native manufactures; but, among the rich at home, sea-salt, and the cloths of Europe, Bengal, and Madras, were in constant use.<sup>59</sup>

Similarly, sea-faring merchants suffered as a result of the centralized construction of the merchant navy and were forced to give up their larger ships for smaller ones that would not be searched: "About fifty years ago the Moplays [Mapillas] of this place were very rich, and possessed vessels that sailed to

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<sup>58</sup> Greville, "Mysorean Revenue Regulations: Article 99," 64-66.

<sup>59</sup> Buchanan, *A Journey*, Vol. 1, 49.

Surat, Mocha, Madras, and Bengal; but the oppression of Tippoo has reduced them to great poverty, and most of them are now under the necessity of acting as agents to Mousa, a Mussulman merchant of Tellicherry. They have, however, a few small boats, that go to Tellicherry and Calicut for supplies of European and Bengal goods.”<sup>60</sup> Tipu’s efforts to centralize commerce under state auspices seems to have been successful insofar as private actors were pushed into trading on the black market or smuggling at great risk to their own freedom of movement if caught.

For a time, the state-monopolized industries were successful, at least in part because of the encouragement they received from the state. One industry of note, which has received much scholarly attention was the textile industry.<sup>61</sup> Tipu “instituted manufactories for the fabrication or imitation of the cloths of all countries, such as shawls, velvet, *kimkhab* (cloth of gold), broad cloth (European), and he expended thousands of pounds in these undertakings.”<sup>62</sup> Encouragement for weavers from the state came in the form of lower taxes for larger businesses, in order to incentivize expansion. Long-standing relationships between merchants and weavers seems to have promoted commerce in textiles as well: “When the goods are in much demand, it is customary for the merchants to advance one half, or even the whole, of the price of the goods which he commissions; but when the demand is small, the manufacturers borrow money from the bankers at two per cent a month and make goods, which they sell to the merchants of the place. They never carry them to the public market. The silk is all imported, in the raw state, by the merchants of this place.”<sup>63</sup>

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<sup>60</sup> Buchanan, *A Journey*, Vol. 2, 420.

<sup>61</sup> Prasannan Parthasarathi, *The Transition to a Colonial Economy: Weavers, Merchants and Kings in South India, 1720-1800*. Vol. 7. Cambridge University Press, 2001 and Giorgio Riello and Prasannan Parthasarathi, eds. *The Spinning World: A Global History of Cotton Textiles, 1200-1850*, (New York: Oxford University Press, 2011).

<sup>62</sup> Kirmani, as quoted in Yazdani, *Great Divergence*, 186.

<sup>63</sup> Buchanan, *A Journey*, Vol. 1, 447-448. Also see, Yazdani, *Great Divergence*, 187-188. In textile workshops, master weavers employed several other weavers below them, and there were distinctions in wealth between classes of weavers, both of which serve as further proof of robust markets in textiles that permitted stratification and specialization of labor. Mysore’s taxes on textile producers accounted for the practice of one master weaver owning several looms and employing others, thereby encouraging the expansion of such workshops. Weavers did not directly sell their goods in public markets, indicating the complexity of the textile industry and the trust in market relations that made long distance trade possible. This is supported even by observations of a lower class of weavers called *devangas* who manufactured blue-black cloth: “These weavers say, that they obtain advances from the merchants, and borrow money from the

Another important industry that was both monopolized and received support from the state was the iron and steel industry. One factor for the high quality of iron production, besides the expertise of the smiths, was undoubtedly high demand and therefore well-developed lines of production, as evidenced by the variety of locations of iron smelting and forging, as well as the specialization of labor within the forge.<sup>64</sup> The demand for ironworks extended well beyond the kingdom: “To enable the workmen to give them a supply, the merchants frequently make advances; for almost the whole is exported. It is used for making stone-cutters-chisels, sword-blades, and the strings of musical instruments.”<sup>65</sup> Due to the interest taken in steel and ironworks by the state, Mysore’s army used nearly all locally made weapons by the end of the century. The forging of weapons relied on both state-sponsored and private initiatives.<sup>66</sup>

While I have here called particular attention to the monopolized textile and iron industries due to their importance in eighteenth century Mysore, a number of other industries flourished as well, including glass making, sugar production, blanket making, and oil extraction.<sup>67</sup> The state attempted to have a hand in all these industries, given the need for revenue and state ownership as the fastest way to achieve it. However, some private initiative, in the small shops and manufacturing centers of artisan

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bankers, exactly on the same terms as the Puttuegaru [higher class silk weavers]. They sell their goods to merchants, or private customers, and never carry them to the public markets” (Buchanan, *A Journey*, Vol. 1, 150).

<sup>64</sup> Buchanan, *A Journey*, Vol. 2, 16, 21. : “The number of people employed at one of these works is thirteen; a head workman, who makes the crucibles, loads them, and builds up the arch; and four reliefs of inferior workmen, each consisting of three persons, one to attend the fire, and two to work the bellows... There is also a proprietor, who advances all the money required, and who receives payment when the steel is sold.

<sup>65</sup> Buchanan, *A Journey*, Vol. 2, 19. Also see: Greville, *British India Analyzed*, 48-49. The revenue regulations of 1786 further emphasize the importance of the iron and steel industry. For example, Article 78 stipulates to state officials: “If there are ten iron-founderies in your district, you are, by encouragement, to increase them to double the number; and according to the indents and musters sent from the *Huzoor* [the government], you are to have iron *Dubas* [shells] and steel *Kubuttees* [swords] made and forwarded. Whenever an order comes to your Cutchery [court office] for iron shot and *Dubas*, you are to forward them without the smallest delay. Ironmongers may make all sorts of implements of iron, but you are to take care that they do not sell shot. You are also to ascertain where there are mines of iron and steel and obtain from thence the utmost possible quantity of each of those articles, which you are to take the greatest care of.”

<sup>66</sup> Yazdani, *Great Divergence*, 202-204. An inventory of Srirangapatnam, Mysore’s capital, upon its capture by the British, revealed not only a dazzling array of weaponry but also the enormity of the stockpiles, from 17,000 muskets, 8000 swords, and 500,000 shot iron round, to implements such as 8710 hammers, 1200 iron crows, 10,600 axes, and 28,000 iron wedges, among others. Yazdani notes that the relatively small number of matchlocks found (320), in comparison, attests to the progress made in weapon development.

<sup>67</sup> Yazdani, *Great Divergence*, 184.

and cottage industrialists, flourished alongside state-sponsored industry, and small-scale private industry was encouraged through law, such as Tipu's regulations, as well as through incentives, such as lower taxes. State protection for local manufacturers produced proto-industrial conditions in Mysore.<sup>68</sup>

In 1793-1794, Tipu issued two sets of regulations for the conduct of business under state auspices. These regulations, known in Persian as the *Hukmmamaba-i-Tipu Sultan* (literally "Orders of Tipu Sultan), set forth the expected conduct of the state enterprise's officials from the heads of commerce (*malik ut-tijar*) to their agents (*gomashahs*) and port officials (*mutassads*). These heads of commerce were simultaneously political officials, and they were not only in charge of overland and within-country trade but also foreign trade. Commerce officials were also expected to be devout Muslims, as the orders clearly demonstrate that Tipu intended to ascertain their loyalty and dedication using religion as a mechanism for commitment. The regulations themselves are set out in a framework of religious language.<sup>69</sup>

The trading regulations also point to norms of ethical conduct that Tipu hoped would structure the state enterprise and his officials' accountability. Commerce officials were to be "alert, experienced, unselfish, and honest," "skilled in accountancy and business," and they were to "maintain accurate record and accounts," while not allowing for theft, embezzlement, or negligence. An element of social responsibility is also hinted at where the regulations state that the "chief merchants" are to deem what

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<sup>68</sup> Yazdani, *Great Divergence*, 180

<sup>69</sup> Khan, "Regulations for Trading Enterprises," 227-228. Tipu writes: "Considering God and his Prophet (Peace be on him) to be present as witness it is their duty of work for carrying out these duties in accordance with the Hukmnama within their own jurisdiction and other factories to the best of their ability." In a subsequent passage he details four types of loyalty that officers of various trading territories (*ilaga-daran*) are expected to show in the course of their work: "...they should exact the said oaths according to their faiths and they should put them to work in the business of the *Sarkar-i-Khudabad* whenever any one does anything contrary to the four kinds of loyalty it is duty of all to see that the culprit is punished according to the above order and the decrees of God and His Prophet."



is in the interest of the kingdom and the “welfare of the people.”<sup>70</sup> Behavior contrary to the welfare of the state’s commerce and its people was to be sanctioned through both religious and legal means.<sup>71</sup>

The orders also give instructions for how business decisions are to be made. For example, in a portion of the *Hukmnama*, the orders state:

In the execution of business all officials should sit together and consult among themselves and without informing the *mutasaddi*, etc. they should record the statements of each person in their register, and obtaining their signatures and put them in a box, setting a seal on the cover. They should follow the (decision taken) in consultation. If the opinion of six or seven persons is the same and in favour of one course of action, and the opinion of three or four is not in favour of that course, the opinion of the majority should be accepted and acted upon accordingly.<sup>72</sup>

In another passage, the orders concerning the advance of money to purchase commodities reads that the heads of courts, who were responsible for placing orders for goods, “should pay the taxes of the Kingdom etc. to the officers concerned (*ta’alluqdars*) according to the norm, in the same way as the subjects (*ri’aya*) pay as per rules.”<sup>73</sup> The *Hukmnama* therefore stipulates political and business norms based in notions of Islamic kinship and charity.

Many of the instructions regard the proper signing, sealing, stamping, and duplicating of official business records and the manner in which those documents were to be stored – usually in sealed boxes in places that were accessible to all chief merchants, like the state treasury department.<sup>74</sup> Regarding the factories in Muscat and Kutch, the orders state: “Whatever quantities of pepper, sandalwood,

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<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> Khan, “Regulations for Trading Enterprises,” 229.

<sup>74</sup> Ibid. “Be it known to each of the four categories [kin groups authorized to be merchants] appointed in the *Sarkar-i-Khudadad* [the kingdom] whatever is received by them, within their jurisdictions, in cash and kind as acknowledgement thereof entered in the books of the ledger, with the signature and seal and signature of the officer on the margins, and below that the sign of the ledger at the end and the binding, the seal and signature of his jurisdiction...He should bring it to the Royal court, and obtain His Majesty’s stamp, especial seal and signature and seal on the front of it and submit it. The duplicates of the receipts should be kept in the office and acknowledgements of receipt should be obtained from each *ta’alluqa* [district] and given according to the procedure prescribed above.”

cinnamon, coconut, betel-nut and rice are needed for trade, you would inform the Court thereof, and get written order to the *asif-i-buzur* [a civil governor for a province]. The goods should be sold by them through the factories that you have at various places. They should not allow the said goods to be dealt with by anyone except your agents.”<sup>75</sup> This passage affirms the state’s monopoly on commerce in lucrative goods, but it also establishes a system of checks and balances, between previous and current officials and between traders and courts. Other portions of the *Hukmnama* also mandate the use of local court officials and civil governors to provide receipts of goods bought and sold and to guarantee non-interference in state trade by local powerholders.

Public investment in the state’s trading enterprise was encouraged. However, due to his misgivings about expanding British power, Tipu heavily suppressed the independent merchant classes who could have supplied the origins of a financial sector. Instead, Tipu chose to reward ordinary citizens who wished to invest money in the venture:

Tipu established a state commercial venture in 1793, and ordered the officials to secure money through public and private sectors alike in order to invest in commercial activities. Each year, the private deposits – varying from a sum of above Rs 5 to 5000 – were to be returned with the corresponding interest (*naifa*). It is worth mentioning that lower deposits yielded higher interest rates so as to back up ‘the weak, the helpless and the non-affluent.’ Thus, investments ranging from Rs 500 to 5000 yielded a profit of 25%, whereas sums over Rs 5000 merely yielded profits of 12%. Investors obtained receipts and funds were instantly repaid, if desired so.<sup>76</sup>

The state-run enterprise thereby fostered the rudiments of a state-run banking sector. In each of Mysore’s factories abroad, official state bankers were employed, who accepted the state’s bills of exchange. However, this state-run banking sector did not allow for the emergence of a private class of lenders that could sustain long term financing to the ruler, and the close connection between

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<sup>75</sup> Ibid.

<sup>76</sup> Yazdani, *Great Divergence*, 182.

commodity merchants and financiers meant that merchants capable of lending money to the state because of their connection to European trade were effectively shut out of any growth in financial markets.

While descriptions of Tipu's "oppressions" are perhaps exaggerated, they do point to an important economic reality of the time. In his survey of Mysore after the Fourth-Anglo Mysore War, Francis Buchanan-Hamilton notes regarding the heart of the kingdom: "Tippoo began its [Bangalore's] misfortunes by prohibiting the trade with the dominions of Arcot and Hyderabad, because he detested the powers governing both countries. He then sent large quantities of goods, which he forced the merchants to take at a high rate... although [now] there are few rich individuals, trade and manufactures increase apace; and the imports and exports are estimated already to amount to one fourth of what they were in its most flourishing state. The manufacturers and petty traders are still very distrustful and timid; but the merchants, many of whom have been at Madras, and are acquainted with British policy, seem to have the utmost confidence in the protection of our government."<sup>77</sup>

Despite the self-serving nature of Buchanan's assessment, he does notice an important lack of support among native merchants for Mysore during the sultanate period. Indeed, many bankers, moneylenders, and moneychangers fled to Madras in order to avoid ongoing wars and to avoid persecution by the state.<sup>78</sup> As merchant capital became more crucial during the period, power shifted to those who could provide opportunities for that capital to be invested productively. For a short period of time, the East India Company managed to provide those opportunities, until it too began to direct financial markets in the interest of its growing colonial state and British banking.<sup>79</sup>

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<sup>77</sup> Buchanan, Vol. 1, 193-194.

<sup>78</sup> David Washbrook "India in the Early Modern World Economy: Modes of Production, Reproduction and Exchange," *Journal of Global History* 2 (2007): 107; idem, "Eighteenth Century Issues in South Asia," *Journal of the Economic and Social History of the Orient* 44 (2001): 284-285.

<sup>79</sup> Washbrook, "Merchants, Markets, and Commerce," 285-286.

### *Administrative Relationships*

Much of Haider's initial work as the *de facto* head of state was to purge the kingdom's bureaucracy of disloyal civil servants, especially those who had worked with the finance minister to persuade the Marathas to invade Mysore. The government's priority was the resumption of normal economic activity in the kingdom after the Carnatic Wars. Haider also paid back the debt he owed the merchant bankers of Bangalore, thereby retaining his credit with that important class of lenders.<sup>80</sup>

Haider was known for the openness of his court, in which laborers and cultivators could seek redress for their grievances in the same manners as courtiers. In his reign, there were suggestions of the future reforms that would be undertaken by Tipu to increase the state's access to the kingdoms' subjects beyond the strata of elite civil servants and military officials who were closest to the throne. Maistre de la Tour, a French mercenary who served as head of Haider's artillery, noted that: "There is no sovereign more easy of access to every one that has business with him, whether strangers or subjects; and the former, whatever may be their quality, are always sure to be introduced into his presence, by demanding an audience, by a Souquedar, or mace bearer, of which there are always a sufficient number at the gate of his palace."<sup>81</sup> In addition, Haider used the ritual of court audiences to establish personal contact with coopted elites and men newly elevated to office. He was also a lavish gift giver, emulating the style of the great royal and imperial households of India. This gift-giving was

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<sup>80</sup> Kirmani 100-101, 103. "The dependencies of Mysore, which are like a flower garden, now received anew the freshness and colour of security, and the hearts of those who were envious of the prosperity of the country and government became like the flowers of a garden in autumn, faded and dead. Most of the dependencies on the frontier, which had been lost to this state from the incapacity of former ministers and chiefs, by the exertions and abilities of Hydur...were regained by his powerful and grasping hand; and now able men of various tribes and nations, artificers of all countries, and soldiers who, from the want of employment and the neglect of merit by the former rulers of Mysore...carried their heads high, and presented themselves erect to Hydur, who employed them in service proportionate to their abilities and merit. According to the desire of that cherisher of the people [Haider], merchants, also, brought precious commodities from every part of the world, with valuable horses, and camels, and in addition to the prices they demanded for their goods, they received handsome presents; many thousands of pounds being expended on the security of the servants of the state for commissioning articles of rarity."

<sup>81</sup> Maistre de la Tour, *Histoire d'Ayder Ali Khan*, (London: J. Johnson, 1784), 25.

meant to cement relationships with neighboring rulers as well as foreign allies. In return, loyal subjects, retainers, and friendly rulers were supposed to give *naḡr*, or tribute, which signified their acceptance of both the gift and the legitimacy of the ruler.<sup>82</sup>

However, the court's openness was not matched by all of the courtiers and administrators who exercised authority on behalf of the state. After the reconquest of lost territories and the subjugation of refractory poligars in the 1780s, administrative reforms in Srirangapatnam, some of which were highly coercive, followed. Mir Sadiq, who would later gain an infamous reputation, was appointed as minister of finance, and a man known in the historical record only as Shamaia was appointed as head of police and the post office. Shamaia was apparently appointed for his ability to control other civil servants, especially because of his lack of scruples regarding torturing government ministers and other bureaucrats for information concerning their activities and revenues. Bankers were also forced to provide loans to a cash-strapped state.<sup>83</sup>

Certain state officials and landed elites seem to have engaged in regular abuses against peasant cultivators. For example, in one case, revenue officers, who were meant to pay wages to laborers on public works, withheld wages and paid the laborers in kind, using grain or lentils, which was undoubtedly less valuable than the coin wages they were owed. When subjects managed to make a complaint at court, they were thrown in prison by Mir Sadiq.<sup>84</sup> Mir Sadiq seems also to have extorted bribes from wealthy farmers and cultivators through his control of an extensive set of revenue officers.<sup>85</sup> Such stories are echoed throughout Buchanan's survey of Mysore, where he notes that in some vicinities government officials seem to have fulfilled their roles honestly and carefully, while in

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<sup>82</sup> Brittlebank, *Tipu Sultan's Search for Legitimacy*, 92-99; 107-109.

<sup>83</sup> Bowring, *HAC&TS*, 78; Lewis-Rice, *Mysore*, 391. "The unscrupulous ability of Shamaia developed to the most cruel perfection the system of espionage and fabrication of such charges, to atone for which the utmost farthing was exacted under the pressure of tortures which often terminated the lives of the unfortunate victims." Lewis-Rice conjectures that much of Haider's paranoia regarding the loyalties of his civil servants may have been due to his early experience of betrayal at the hands of Khande Rao, the finance minister who had staged a coup against him fifteen years prior.

<sup>84</sup> Ibid 236-237.

<sup>85</sup> Ibid 230-231.

other areas they were extortionist and unscrupulous, leading locals to hide their revenue and inefficiently transmit only portions of the land revenue to the treasury.

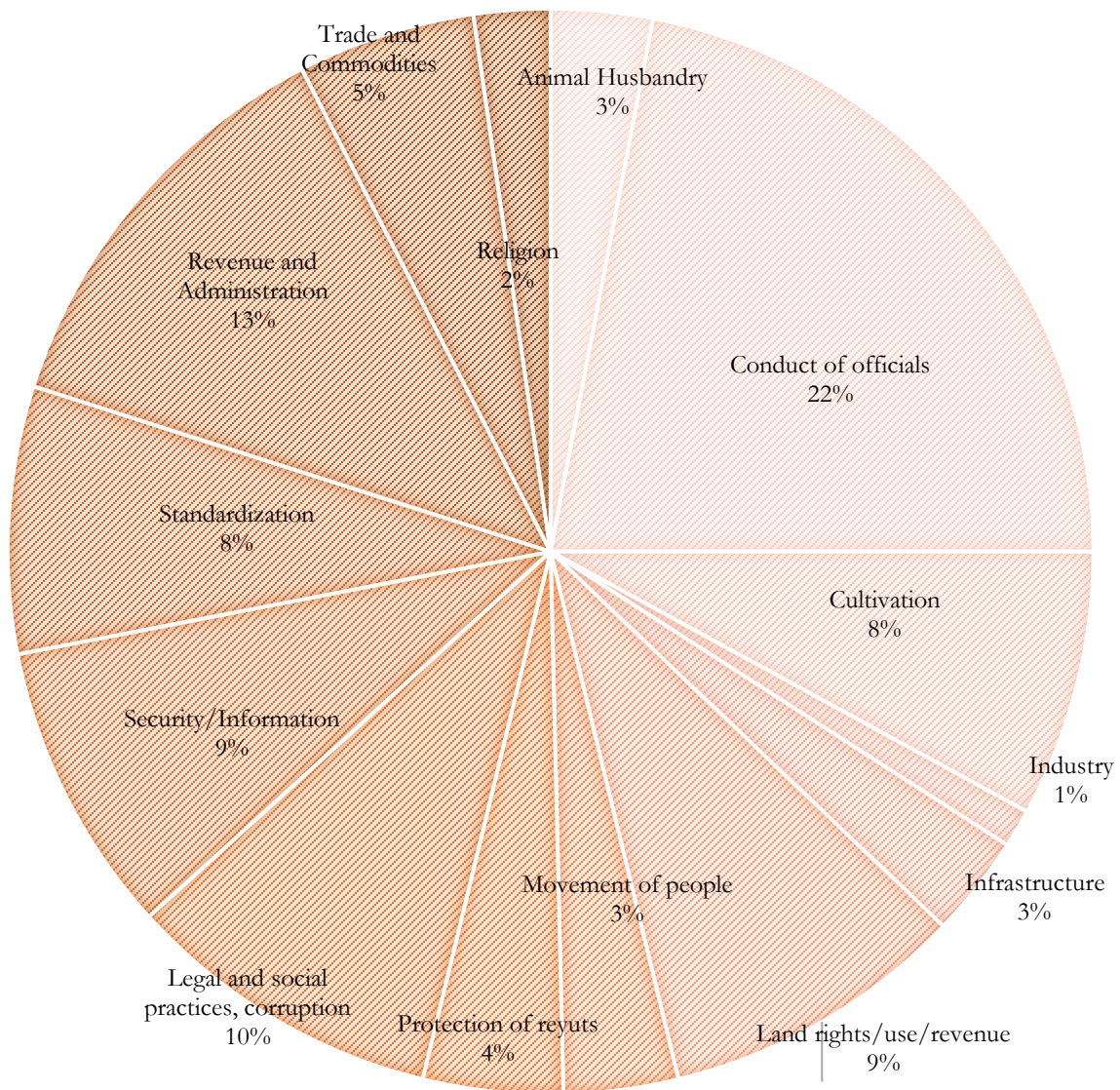
In particular, Tipu took swift and severe action to remedy these administrative ills, especially through the encouragement of peasant cultivation and the elimination of the traditional prerogatives of landed elites. Many of the state's revenue centralization measures can be guessed at through the surviving copies of Tipu's revenue regulations, one set of which were promulgated and codified in 1786 for use in the district of Wamlur (modern-day Omalur in Tamil Nadu.) Another copy of revenue regulations has survived for the district of Raicottah (Rayakottai, also in Tamil Nadu), which shows variations that are region-specific and therefore indicate that Tipu's codification of these measures was part of a wider effort to bureaucratize the collection of land revenue.<sup>86</sup> In these, he strongly limited the authority of the landed elites in their dealings with Mysore's subjects, referred to in the English translations as "ryots."

In the chart below, I break the 127 revenue regulations from Omalur into broad categories or topics with which they are centrally concerned. In categorizing the revenue regulations, I have allowed articles to count in multiple categories. Even then, regulations for the monitoring of traditional elites vastly outnumber every other category.

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<sup>86</sup> See Burton Stein's description and analysis in *Thomas Munro: The Origins of the Colonial State and His Vision of Empire*, (New York: Oxford University Press, 1989), 33.

Figure 3: Revenue Regulation Articles by Category



Source: Charles Francis Greville, *British India Analyzed* (1793)

How sanctions were placed on elites who overstepped their authority can be illustrated, for example, by Article 5, which states: “The *Putteels*, *Teagecaurs* [traditional landed elites], and others have for a long time fraudulently avoided paying the full revenue of Government lands: this is to be inquired into, and the lands are to be measured, and they are to be assessed like other *Reyuts* [peasant cultivators]. The *Reyuts* are not to plough the lands of the *Putteels*; but the *Putteels* shall themselves plough them. If any *Putteel* shall in future employ *Reyuts* to till his ground, the whole of the produce shall be taken by Government.”<sup>87</sup> Article 6 similarly aims at another class of traditional elites, the *shamboge*, or revenue accountant: “Lands which have been cultivated for a length of time by the *Shamboges*, shall be resumed, and be delivered over to other *Reyuts* to cultivate; and if such *Shamboges* shall desire to have other land given to them in lieu of their wages, land which is lying waste shall be given to them; if they do not ask for land, they shall receive their wages in money, according to the established rate.”<sup>88</sup> As these types of articles demonstrate, the process of reducing the arbitrary power of the elite intermediaries went hand-in-hand with strengthening protections for Mysore’s subjects. These regulations were expected to be enforced by government officials who would have received them in their district outposts.

Increased protections for peasant cultivators were also pursued through a variety of land tax regimes. For example, Articles 15 and 16 provide a gradation of taxation on peasant cultivators who agree to cultivate barren or unproductive land. Article 15 provides for exemption from taxes in the

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<sup>87</sup> Greville, “Mysorean Revenue Regulations,” 4. The “putteels” and “teagecaurs” referred to in the passage are also written as *patel* and *tejkaur*. These were types of revenue officers. *Reyut* is another spelling for *ryot*, the Anglicization of *ri’aya*.

<sup>88</sup> Greville, “Mysorean Revenue Regulations,” 5. Articles 8 and 10 further underscore the punitive measures associated with expropriating revenue from the subjects: “If a farmer, neglecting the cultivation of his farm, and suffering the lands to lie waste, shall impose fines upon the *Reyuts*, and make undue exactions from them to enable him to fulfil his own engagements, he shall be made to pay to Government the amount of such undue exactions, over and above the stipulated rent. Measures must also in future be adopted to prevent any person from levying oppressive fines from the *Reyuts*; and defaulters in this respect shall be made to pay the amount of such exactions, and be moreover fined themselves.”<sup>88</sup> Article 10 further promotes the practice of advancing *taqavi*, or a loan from the government, to enable peasant cultivators to pay for farming equipment as an incentive to take up cultivation of new lands or waste lands.



first year, with only half the tax assessment collected in the second year. For barren, mountainous, or rocky land, the exemptions are more generous.<sup>89</sup> These regulations display a type of protectiveness on the part of Tipu's government towards the peasant cultivators and a concern that their efforts at cultivation be encouraged in the interest of promoting agricultural growth more generally. Perhaps these efforts were successful, because one report written by a British administrator indicates that "the villages [in Mysore] were cleaner and more comfortably constructed, than any I had before seen in India, and the people (even to us) did not hesitate to say that before the war, Tippoo treated them with levity, and they lived happily under his Government."<sup>90</sup> The same official further reports that in a different district, the inhabitants report 'that property, is in some state of security, that land is valuable, and that Tippoo is not here looked up to either as a tyrant, or a fanatic.'<sup>91</sup>

Distinct land tax regimes in Mysore, which were dependent on the financial position of the cultivators, the crops they grew, and their ability to pay taxes, display political sensitivity to variation in the social and economic positions of its subjects. These protections were supposed to be enforced through attention to the amount and timing of taxes assessed, restrictions on the demands that land revenue collectors could make on subjects, and incentives for new cultivation through measures such as *taqavi* and other types of lenient policies that did not disturb the cultivators' rights in their property.<sup>92</sup>

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<sup>89</sup> Greville, "Mysorean Revenue Regulations," 9-10

<sup>90</sup> Quoted in Kate Brittlebank, *Tipu Sultan's Search for Legitimacy: Islam and Kingship in a Hindu Domain*, (New York: Oxford University Press, 1997), 89.

<sup>91</sup> Brittlebank, *Tipu Sultan's Search*, 89. These observations can be further confirmed by surveys of land-tax regimes in Mysore, each suited to the type of land and cultivator. For example, regarding, plantations of palm trees, which produced several lucrative by-products: "Although the soil is considered as the property of the government, yet when a man plants a palm garden, the trees are considered his property, and he may at pleasure sell them. He pays one half of the produce to the government, as ground-rent; but pays nothing for the fruit-trees that are intermixed, nor for the vegetables or grains that are cultivated under them." See, Buchanan, *Journey from Madras*, Vol. 1, 109.

<sup>92</sup> Buchanan, *Journey from Madras*, Vol. 3, 71-72, 225-226. A different category of land tract, on hills, is afforded the following type of protection for cultivators: "The Malayar, who dwells on any hill of this kind has the exclusive hereditary right of cultivating it; but, while not occupied by this labour, he and his family must work for the proprietor...The Malayar may give up his possession when he pleases, which secures him from being ill used by the proprietor; for such people on an estate add greatly to its value...In this neighbourhood no tax is imposed on this kind of land; but in some districts the Malayar pay annually a small sum to government for each hill." Regarding the cultivation of lucrative commodities such as pepper and cardamom: "All these gardens are private property...When a man wishes to make a new one, he fixes upon a spot, which must not only contain room for the trees, but must have

Nevertheless, these policies did alienate traditional landed elites, a fact that was perhaps reflected in the frequent rebellions of poligars.

### *Social and Religious Relationships*

One of the most contentious areas of current historiography on the reigns of Haider and Tipu regards their religious toleration. The key question is whether the sultanate period was a marked departure from the Hindu Wodeyars, simply because the rulers were Muslim. In the eighteenth century, many of the forms of rule would have been similar between Hindu and Muslim dynasties, even though administrative languages and ideological dimensions of the expectations of rulers might have been quite different.<sup>93</sup>

We know that Haider was born into a family which had held various important religious positions in South India and that his father had wanted him to have a religious occupation. From what evidence we have of Haider's behavior, however, he seemed largely indifferent to religious sectarian politics. Contemporaries noted that he was largely tolerant towards other faiths and might have had syncretic beliefs himself. However, his public indifference may also have been pragmatic politics in a place where Muslims were in the minority and the dynasty was new.<sup>94</sup>

Unlike his father, Tipu is believed to have been much more pious and interventionist in upholding and enforcing Islamic values in his government. At least two of the administrative manuals that have

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hills for shelter, and for supplying manure, and a place for the house and kitchen garden. When a proper situation has been found, the planter purchases the whole from the government. ...For twelve years they pay no land-tax; on the thirteenth year, every thousand trees paid, on a good soil, three Pagodas; and every year until the eighteenth, an additional tax of three Pagodas was imposed. ...If the proprietor become poor, and be not able to cultivate his garden, so that it runs to waste, he informs the officers of revenue, who sell the ground, and give him the price. He may sell the garden when he pleases. This property is never mortgaged."

<sup>93</sup> See, for example, C.A. Bayly, "The Pre-History of 'Communalism'? Religious Conflict in India, 1700-1860," *Modern Asian Studies* 19 (1985): 177-203. Bayly argues that some conflicts in the pre-colonial era exhibited qualities of communalism, meaning an ideology of politics as being divided along sectarian lines, while other conflicts simply exhibited clashing religious priorities. My review of eighteenth-century Mysore suggests that most conflicts between rulers and elites fell into the latter category, as there was no prior history of political engagement along religious lines.

<sup>94</sup> Yazdani, *Great Divergence*, 310-312.

survived from his time, including the *Hukmnamaha*, which established the codes of conduct for the state-run enterprise, and the *Fat'h ul-Mujahedin* (Victory of Holy Warriors), which consisted of regulations for the military, were written in a religious register and espoused religious goals in administration and military life. In addition, many of the administrative regulations captured in the “revenue regulations” addressed behaviors, like the consumption of intoxicating substances, that were contrary to Islamic values, and others provided special tax exemptions for those who converted to Islam.<sup>95</sup> Tipu also may have filled many vacancies in government positions with Muslims belonging to preferred groups. None of this was unusual in Indo-Islamic administrative practice, but it was noticed and commented on given the long duration of Hindu kings prior to Haider and Tipu’s regime.<sup>96</sup>

In 1779, Haider Ali had allied himself to the ruler of Savanur, Abdul Hakeem, through marriages of one of his sons and one of his daughters to Hakeem’s daughter and son. As part of the exchange of wedding gifts, Haider received Savanur as a tributary and expanded the scope of his alliances with Muslim elites in the region.<sup>97</sup> We can also infer that Muslim service classes received support from the regime that was unprecedented, and the removal of this support meant that the newly elevated Muslim administrative class was unable to survive the end of the sultanate regime. During his time in Bangalore just after Tipu’s death, Buchanan noted that many Muslims lived there and “owing to the change in government, they are in great distress. Accustomed to a military life, they do not readily enter into civil occupations, nor are they willing to attach themselves to the military service of the enemies of their late Sultan. Many of the more wealthy among them, however, are now betaking themselves to trade, and the poorer sort are gaining a livelihood by agriculture.”<sup>98</sup> In this case, the

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<sup>95</sup> Yazdani, *Great Divergence*, 320-321; Greville, *British India Analyzed*, 44. A typical example is Article 73: “Every person who shall become a convert to the Mahomedan faith, if he be a Reyut, shall only pay half the usual assessment, and shall be exempted from the payment of house tax; and if he is a dealer in merchandize, his goods shall pass duty-free.”

<sup>96</sup> Yazdani, *Great Divergence*, 329.

<sup>97</sup> Lewis-Rice, *Mysore*, 391.

<sup>98</sup> Buchanan, Vol. 1 (1807), 47.

military elite who were at the core of Haider and Tipu's political organization were unable to shed their military identities easily, so the end of the dynasty that gave them status and work marked an abrupt upheaval in their fortunes.

In particular, we can consider a specific socio-economic change that occurred during their reigns regarding Hindu temples, which likely occurred due to the sultanate's focus on other religious sites and areas of revenue. Buchanan notes that the upper-caste brahmins, especially those who were attached to traditional professions in temple complexes, were the most vociferous in their anger at the sultanate regime after British annexation. They were the most affected by the centralization of revenue and the replacement of the traditional revenue collectors with those from Haider and Tipu's government. Why this should have provoked anger, beyond the obvious religious explanation, requires some explanation.

Temples were crucial to the idea of kingship in South India. Along with conferring legitimacy, they were also well-known centers for exchange and relationship building between different social elements. Towns tended to grow up around temple complexes, and as a result, kings were largely valued for their ability to intervene in an administrative capacity in these communities.<sup>99</sup> Endowments of land and money were owned and used by temples in order to provide religious authority that kings relied upon for the maintenance of their rule.<sup>100</sup> In breaking up these sources of local power and in reducing tax-exempt privileges in their search for revenue, Haider and Tipu stumbled into potent ideological flashpoints.

However, there is also evidence to the contrary – that Tipu patronized certain temples, consulted Hindu priests, and hired Hindu ministers and administrators. In addition, brahmins who had long

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<sup>99</sup> Arjun Appadurai, "Kings, Sects, and Temples in South India, 1350-1700 A.D.," *The Indian Economic and Social History Review* 14 (1977): 47-73.

<sup>100</sup> Burton Stein, "The Economic Function of a Medieval South Indian Temple," *Journal of Asian Studies* 19 (1960): 163-176.

dominated treasury posts continued in their place. In her survey of Tipu's various attempts to build legitimacy, Kate Brittlebank notes a particularly good example of Tipu's patronage of Hindus and temples in a remote village near Bangalore that has survived until today: "On entering the building one sees overhead vibrant paintings depicting past rulers, including Haidar and Tipu, and a frieze of marching soldiers escorting Tipu on his elephant. The centre of the ceiling is decorated with a hunting scene; in the heat of the action Tipu is again shown, this time on foot, single-handedly slaying a tiger with his sword...The very presence of portraits of Muslim rulers in a Hindu temple, for instance, underlines the inadequacy of such analytical divisions as Hindu/Muslim in the interpretation of Indian kingship."<sup>101</sup> The evidence of religious zealotry animating either Haider or Tipu, therefore, is mixed, even though there is significant evidence to indicate that Islamic virtues were an important component of Tipu's administrative principles. That both father and son marked Hindu festivals, patronized religious sites and classes, and worked with upper-caste Hindus in their administration was also, perhaps, due to the pragmatic politics that characterized most Muslim dynasties in India at the time.

## **Conclusion**

By the time that Tipu died in battle in 1799 at the conclusion of the Fourth Anglo-Mysore War, the Mysore that the British annexed was highly centralized, bureaucratically organized, and possessed several robust state-run enterprises, which was a marked contrast from other parts of India at the time. We can ascertain from the surviving evidence that Haider and Tipu's drive towards centralizing Mysore's administration beyond what they had inherited from the Wodeyars drove many mercantile elites to Madras, where they became brokers for the British, and alienated many landed elites, as their

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<sup>101</sup> Brittlebank, *Tipu Sultan's Search*, 152.

traditional revenue-collection and military roles were eroded. We can conclude that the state guaranteed security of property rights for peasant proprietors and the state's authorized merchants, whereas the risk of expropriation increased greatly for traditional elites and independent merchants.<sup>102</sup>

State centralization resulted in a relatively strong set of institutions for future governors to use, but in the short-term, it resulted in a rupture between traditional elites and their rulers. This was not unexpected, given that the historical records of *most* centralizing states demonstrate the resentment of traditional aristocratic classes at the removal of their privileges. However, in the case of Mysore in the late eighteenth century, the severing of merchant credit from Haider and Tipu was more fatal, given the existence of various European company-states that were more than willing to welcome these financiers into their administrative environs. Despite these challenges, Tipu was still able to establish a state-run enterprise for at least a decade before his death, resulting in Mysore being a true commercial governor for a short period of time before colonial rule began.

The divide between ruling group and society grew worse towards the end of Tipu's reign when his paranoia about his own removal and death at the hands of the British coincided with his further marginalization of outside social groups and over-reliance on the narrow slice of "insiders" he believed he could trust.<sup>103</sup> The abundance of legends of Tipu's betrayal by his own loyal ministers, while unlikely to be based in any solid evidence, probably had its roots in societal elites' lack of faith in the administration, even as common people remembered Haider and Tipu's reigns fondly for their protection of peasant proprietors.<sup>104</sup>

Much of Haider and Tipu's centralization was undone by the process of colonial conquest, as many of their reforms did not survive into the period of the returning Wodeyar dynasty, who were

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<sup>102</sup> Yazdani, *Great Divergence*, 219.

<sup>103</sup> Yazdani, *Great Divergence*, 335. "It would not be far-fetched to argue that the complex policies favoring Muslims over the Hindu majority and the more severe discriminatory actions against local Christians, weakened Tipu's cause through diminishing revenues, alienating segments of the population, and fomenting acts of treachery."

<sup>104</sup> Brittlebank, "Tales of Treachery," 2003.

the East India Company's client rulers. After the British and their allies divided the territories of the erstwhile kingdom between themselves, Mysore officially became a princely state and retained internal autonomy during the period of the Raj until it acceded to independent India in 1947. As a princely state, the kingdom was free to pursue its own economic and political policies. Immediately after the sultanate period, when the Wodeyar heir had been restored to the throne under the regency of the finance minister Purnaiya, who continued in his post from Haider and Tipu's regimes, it seemed that the previous financial and commercial policies would endure.

However, when the Wodeyar prince reached adulthood, he took control of the kingdom's affairs himself. Unfortunately, this had dire consequences, as much of the revenue collection was devolved again to local elites and given over to tax farming: "The consequence was that the ryots became impoverished, the revenues more embarrassed, and the *amildars* [revenue collectors] themselves frequently suffered losses. The distress arising from this state of things, and from the neglect of duties incumbent upon Government, fell heavily upon the ryots, who groaned under the oppression of every tyrannical *sharti* [tax farming] *faujdar* and *amildar*."<sup>105</sup> Revenue collection diminished from 2.5 million pounds at the height of Tipu's reign to only 0.69 million pounds, even as late as 1853, more than five decades into British rule. The proto-industrial features of Mysore's economy unraveled, and the amount of expenditure made on improving infrastructure, such as roads and tanks, was drastically reduced. The return of the *poligar* elite under Wodeyar rule undid much of the state centralization that had occurred under Haider and Tipu.<sup>106</sup>

In contrast, and ironically, British Madras largely followed in its annexed territories the same system of administrative centralization that Haider and Tipu had begun. Thomas Munro, the well-known governor of Madras and proponent of the *ryotwari* system of land revenue, wanted land revenue

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<sup>105</sup> Lewis-Rice, *Mysore*, 425.

<sup>106</sup> Yazdani, *Great Divergence*, 356-358.

to be collected directly from the peasant proprietor as he believed this was the only way for the state to take care of its citizens. For Munro, the importance of accessing small land proprietors directly was initially intimately tied to the stability of British rule.

Munro's first civil appointment was in the early 1790s in Baramahal and Kanara, territories that were won through the settlement that ended Madras' third war with Mysore. He likely first experienced Mysorean-style direct revenue assessment here, a policy that he further pursued under his immediate superior, Alexander Read. In a report he wrote to Read in December 1794, at least five years before the conquest of South India was complete, Munro expounded on the concept of the *ryot* as "any cultivator who engaged to 'rent' land from government, however great or small, and who possessed a document (*patta*) fixing the precise holding and the revenue thereon."<sup>107</sup>

Munro had his first chance to put *ryotwari* to practice at a large scale in 1814 when he became Judicial Commissioner in Madras, although the Madras Board of Revenue had already experimented with its implementation prior to his appointment. Then in 1820, when he became governor of the entire presidency, Munro was finally able to articulate his principles of judicial and revenue administration with an eye towards increasing Madras' relative importance in India vis-à-vis Bombay and Calcutta. He was very successful at accomplishing this goal, leading London to consider governing India from Madras over Calcutta for a brief time. Munro himself came to be remembered fondly as a benevolent benefactor by the peoples of the Madras Presidency, a distinction which was not achieved to quite the same degree by other British governors.<sup>108</sup>

### **A Historiographical Note**

For English-readers interested in Mysore's economic and political history, the vast majority of relevant surviving sources in English were written by British military men, adventurers, and surveyors who

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<sup>107</sup> Stein, *Munro*, 58.

<sup>108</sup> Stein, *Munro*, 3.



passed through the territory during the East India Company's numerous campaigns in southern India. In the preface to his curated and annotated volume entitled *Select Letters of Tippoo Sultan to Various Public Functionaries* (1811), William Kirkpatrick writes that upon the capture of Srirangapatnam, most of the state documents passed into British possession but that a large portion of them were "burnt, or otherwise destroyed, in the confusion and disorder which unavoidably ensued upon the assault of the fort: nor is it improbable, that some portion of them has disappeared, in consequence of falling...into the hands of private persons, ignorant of the value, and indifferent to the preservation of their prize."

Therefore, while the Asian and African Collections at the British Library are useful for historians interested in the British perspective on their own involvement in South India, they are less helpful for reconstructing the lives and fortunes of the Indian actors. Even B. Sheikh Ali's impressive history, *British Relations with Haidar Ali* (1963), is largely narrated from the British perspective, which is unavoidable if one relies on the East India Company's archive. As a result, I have relied more closely on texts explicitly produced or translated as aids for the East India Company to understand Indian social and economic life in South India in the late eighteenth century. By stepping into the shoes of the Company as a third-party observer, we can begin to understand the battles, political activity, and concerns of Mysore's rulers more closely.

For a portrait of economic life, the most valuable sources are those produced shortly after the Company's conquest of the territory. One such source is Dr. Francis Buchanan-Hamilton's *A Journey from Madras through the Countries of Mysore, Canara, and Malabar*, which was published in London in three volumes in 1807. Buchanan's survey was itself conducted in 1800, right after the end of hostilities with Tipu Sultan. Arthur Wellesley, who was then Governor-General of India, commissioned Buchanan to survey the entirety of the newly acquired territories with particular attention to all aspects of agriculture including edible crops, cash crops, farms, livestock, mines, manufactures, climate, and the peoples

who lived throughout the territories.<sup>109</sup> Because Buchanan passed through rural as well as urban areas, his account includes most of the details important for forming a complete picture of social and economic life in South India, including but not limited to the varieties of tax assessments, types of land holdings, the goods produced, commodity markets, currency in circulation, and mercantile life in the region.

Another account entitled *British India Analyzed: The Provincial and Revenue Establishments of Tippoo Sultaun and of Mahomedan and British Conquerors in Hindostan Stated and Considered*, was published in three volumes in London in 1793 and written by Charles Francis Greville, who was an antiquarian and politician. Although most of his volume is speculation and historical narrative based on a number of unverifiable sources, the volumes also include a reliable translation of one of two surviving sets of Tipu Sultan's revenue regulations, which were promulgated with an eye towards standardizing revenue collection and the conduct of revenue officials.

Another important English-language source is *The Fifth Report from the Select Committee on the Affairs of the East India Company*, which was published in London in 1812 and pertains specifically to the Madras Presidency. Unlike Buchanan's assessment, which is for most research purposes a primary source, the *Fifth Report* is a secondary source written as an official summary and synthesis of first-person accounts found in the East India Company's own records. The key focus of this account is the revenues of the Madras Presidency, which is defined as all the area which Fort St. George governed. This report also makes recommendations regarding the permanent settlement of Madras' revenue collection from the territories it governs. As a result of its focus on land revenue, it is a key resource for scholars interested in the history of the land revenue system in southern India.

Officers in the service of the East India Company also wrote treatises on the history, customs, and revenue practices of Mysore and its surrounding areas. For example, the political resident at the

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<sup>109</sup> Buchanan, Vol. 1, viii-xiii.

Mysore court, Lieutenant Colonel Mark Wilks, wrote the two-volume *Historical Sketches of the South of India in an Attempt to Trace the History of Mysoor; From the Origin of the Hindoo Government of that State to the Extinction of the Mohammedan Dynasty in 1799*, which was published in London at 1810. This treatise is remarkable not only because it provides the unacquainted reader with a great deal of information on the political history of Mysore but also because it constructs its narrative with reference to sources that have since been lost or misplaced.

Benjamin Lewis-Rice's well-organized and detailed *Mysore: A Gazetteer Compiled for Government*, published in 1897, largely uses Wilks' account of Mysore's history for its own recounting of that country's history, even copying Wilks' original prose verbatim at some points. Lewin Bowring, who served as Commissioner of Mysore between 1862 and 1870, wrote a useful history of the military campaigns and political changes introduced into Mysore during the reigns of Haider Ali and Tipu. This book, entitled *Haidar Ali and Tipu Sultan, And The Struggle With The Musalman Powers Of The South* and published in Delhi in 1893, likely made use of sources and word-of-mouth accounts that are no longer available, given the nature of the author's commentary. I have relied largely on Lewis-Rice and Bowring to supply the skeleton of the historical events, especially military campaigns and their effects on poligars.

Translations into English of memoirs and correspondence in other languages have also been consulted in this chapter. These include Maistre de la Tour's account of Haider Ali's court, life, and military campaigns, which can be found in his two volume *Histoire d'Ayder Ali Khan*, which was translated into English and printed in London in 1784. Maistre de la Tour was a French officer who initially oversaw European soldiers in Mysore's military and later had charge of the entire artillery of the army, leading to his commanding over 10,000 regular troops. As a result, he spent a great deal of time with Haider Ali personally in the battlefield and in the court.<sup>110</sup>

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<sup>110</sup> Yazdani, *Great Divergence*, 115.

Kirkpatrick's translation of Tipu's personal correspondence has been used sparingly, while keeping in mind historian Iftikhar Khan's cautions regarding Kirkpatrick's translation and commentary.<sup>111</sup> Wherever possible, Khan's own translation of the important regulations for Mysore's trading state, which appear in abridged form in Kirkpatrick but are provided in full by Khan himself, have been used instead. This has been supplemented with additional translations of letters between Tipu and his French allies which can be found in the appendices of the official East India Company account of the war in 1799.<sup>112</sup>

The English translations of Husain Ali Kirmani's Persian histories of Haider Ali and Tipu Sultan, *Nishan-e-Hydari* and *Tarikh-i-Tipu Sultan*, have also been used whenever possible to confirm and narrate events, if not the significance or intentions of any of the protagonists' deeds. This is not because of any known errors with the translations but because of Kirmani's reliability as a narrator and historian. Kirmani was an official court chronicler during the sultanate regime and likely introduced embellishments in his accounts that cannot be corroborated by any other sources.

Mysore's administration was conducted in three major languages in this period – Kannada (the Wodeyars' language), Marathi (likely because of territories in Mysore's northwest where this language was spoken and had been the language of administration under the Marathas), and later in Persian (under Haider Ali and Tipu Sultan, who would have used Persian to signal their link to the Muslim aristocratic class in the subcontinent.) Many of these sources, to the extent that they have survived, are scattered across various archives and require expertise not only in the languages but also in their older scripts and dialects. As a result, I have relied on the works of historians who can read these languages to supplement gaps in the analysis here. The main source of bias in the English-language sources is the generalized British distrust of Haider Ali and Tipu, who inflicted early defeats on

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<sup>111</sup> Khan, "Regulations," 225-235.

<sup>112</sup> East India Company, *Copies and Extracts of Advices to and from India Relative to the Cause, Progress, and Successful Termination of the War with the Late Tippoo Sultan*, (1800), <https://catalog.hathitrust.org/Record/007698427>.

Madras, and their paranoia that the father and son dynasty would dislodge them permanently from India. Much of this paranoia is reflected in unqualified and exaggerated accounts of Haider and Tipu's cruelty and religious fanaticism. I have attempted to remedy this shortcoming in the English sources by consulting the works of contemporary Indian historians who have tried to correct, and have sometimes over-corrected, the assessments found in the colonial sources.

## CONCLUSION

### **Political Monsters and Other Curiosities**

In August 1833, the Saint Helena Act, also known as the Government of India Act or the Charter Act, was passed. This bill included a number of provisions for the governing of British India that would forever change the relationship of the East India Company to the British crown and to the remaining independent rulers in India. The governors of Bombay and Madras were stripped of their powers to promulgate and enact laws in their presidencies, and the official power to legislate policy for India was housed with Calcutta. The act also marked the first attempt to introduce a competitive civil service for the Indian government, but the establishment of an actual competitive service would take until 1858. Most importantly, the act officially deprived the Company of its commercial operations, which included the loss of monopoly privileges in the trade with Asia.

By the time that the 1833 Act was passed, British jurisprudence had already begun to see the division of public and private spheres as a necessary quality of effective government. In July 1833, when the House of Commons was likely deliberating the bill, well-known Whig politician and historian Thomas Babington Macaulay had to recall for his colleagues the very different circumstances prevailing in the eighteenth century when the Company began its second phase in India: “It is a mistake that the Company was a merely commercial body till the middle of the last century. Commerce was its chief object; but in order to enable it to pursue that object, it had been, like the other Companies that were its rivals, like the Dutch India Company, like the French India Company, invested from a very early period with political functions. More than a hundred and twenty years ago, the Company was in miniature precisely what it now is. It was intrusted with the very highest prerogatives of

sovereignty.” This mini-sovereign, he said, had since morphed into a giant body, “a political monster of two natures, subject in one hemisphere, sovereign in another.”<sup>1</sup>

He then explained to his audience: “It is not strange, therefore, that the mercantile and political transactions of this great corporation should be entangled together in inextricable complication. The commercial investments have been purchased out of the revenues of the empire. The expenses of war and government have been defrayed out of the profits of the trade...A chest of tea is not necessarily commercial property; it may have been bought out of the territorial revenue. A fort is not necessarily territorial property; it may stand on ground which the Company bought a hundred years ago out of their commercial profits.”<sup>2</sup> Macaulay’s attention to the complications of discerning the Company’s commercial character from its political one points precisely to the fact that in his time such a distinction was possible and even perhaps desirable. That such a development coincided with increasing regulations of the Company and its final and complete dissolution in 1874 signals a marked shift in how the British state related to private commercial and financial bodies. Some, like the Bank of England, became indispensable to British government and part of the public structure of government (but even then, not until the twentieth century.) Others, like the East India Company, were regulated out of existence. But, by then, the political entity that the Company had produced in India - the colonial state of British India - was at the height of its Victorian glory.

This dissertation has argued that commercial organizations that transition to governing roles do so by having the ability to capture relationships with resource holders outside their organizations, who provide them with the resources, legitimacy, and manpower required to do so. In the two successful cases I consider, Mysore and Bombay, both commercial governors possessed armies. In the case of the East India Company, their military relations with outsiders were not always strong, as they were

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<sup>1</sup> Thomas Babington Macaulay, “Government of India, A Speech Delivered in the House of Commons on the 10<sup>th</sup> of July 1833,” *Miscellaneous Writings and Speeches – Volume 4*, <http://www.gutenberg.org/etext/2170>.

<sup>2</sup> Macaulay, “Government of India.”

capable of hiring country soldiers and fielding their own armies and navies without needing alliances or depending on military levies controlled by landed elites. Meanwhile, Mysore's rulers possessed strong relationships with their military elite, which stood intact until late in Tipu Sultan's reign. What was ultimately decisive for the Company's ascendance was its relationships with Indian merchant-financiers and family firms, a set of resources that Mysore's rulers lost in their bid to nationalize and monopolize the trade in lucrative commodities and establish state-run finance. Despite this, Mysore managed to provide stiff resistance to British encroachment for four decades before annexation, largely due to the strength of the regime's military modernization and its openness to innovation and learning.

When considering cases of commercial governing in our own time, however, it is unlikely that military force would provide a decisive advantage. Outright territorial conquest and revision have not been an accepted part of international politics at least since the end of the World Wars. Therefore, it is important to consider paths to political power for commercial groups that do not always or necessarily include violent force as part of the equation. This leads us to the unsuccessful case considered here – the family firm of the Jagat Seths – who were incredibly consequential in the politics of Bengal, even acting as kingmakers, but who never possessed their own corps of soldiers or mercenaries and perhaps therefore never governed in their own right. In our contemporary world, where commercial organizations are separated from government by a wall of regulatory features, and the norms of doing business would make it unthinkable for businesses to possess militaries, it is perhaps even more important to consider alternative pathways to power. By looking at the Seths, we learn that for actors who pursue influence without force, the barrier to entry into politics is relatively low and can often be managed with the right timing and possession of a critical capability that rulers require. For the Seths, this was their ability to link commercial entrepôts, convey money, and relay timely intelligence across North India, especially during times of crisis and war.



Even if we accept that most of the time business and government are not to be mixed, the articulation of public and private spheres of commerce and politics remains fraught with difficulty. Nowhere is this truer than in the developing world, where the phenomenon of the “revolving door,” spoken about with alarm in the western world, would be nonsensical in places where government intervention in commerce and private intervention in public development are equally acceptable and often encouraged. In other cases, government by private actors is tolerated and tacitly encouraged for the peace and security it can bring to places where state capacity is low. In concluding this dissertation, I consider two contemporary examples that exhibit different potential pathways to political power.

### *China and the New Economic Imperialism*

The Chinese-led Belt and Road Initiative (BRI), announced in 2013, is one of the most ambitious global infrastructural and economic projects in recent times. The BRI aims to connect countries across East, Central, South, and Southeast Asia through rail, energy pipelines, new highways, and eased restrictions on cross-border trade. The BRI encompasses both maritime and overland components, drawing romantic comparisons therefore to earlier eras of world history when Europe, Asia, and Africa were linked through both the Silk Road as well as maritime trade along the Indian Ocean littoral.

The BRI faces serious challenges, however, especially as the initiative’s development goals clash with security realities in partner states. For example, one of the largest portions of the BRI is the China-Pakistan Economic Corridor (CPEC), a string of projects which culminates at Pakistan’s Gwadar Port. Gwadar Port falls within the province of Balochistan, which has long waged an insurgency against the Pakistani government in a bid for its independence. Like other places wracked by insurgency, Balochistan is a hotspot for smuggling guns and drugs as well as a meeting point of criminal and terrorist organizations. Chinese citizens working in Balochistan have been the target of

death threats, kidnappings, and assassinations. Locals see Pakistan's cooperation with China on CPEC as one more route through which political dissension can be muted and rebellion quashed.<sup>3</sup>

Similarly, local military and police protect Chinese projects in Kenya and Uganda, while private Chinese security firms are known to operate in places like Nigeria, Sudan, South Sudan, and Somalia in order to protect Chinese nationals as well as the property of Chinese firms in unstable political conditions.<sup>4</sup> The BRI has also induced fears that the money China loans to developing countries to enable infrastructural projects may create a new wave of debt crises in countries that do not have the economic growth to match their borrowing.<sup>5</sup>

The BRI's expansion in the developing world is perhaps the most recent, high-profile example of a recurring phenomenon in global politics whereby the commercial arms of powerful countries on the hunt for new markets and economic partnerships purposefully or inadvertently become entangled in local politics, including the provision of security and the destabilization of existing institutions and cultural norms in weak or vulnerable territories. Some have characterized China's economic expansion, therefore, as a neo-colonial project. Is this an accurate characterization?

Extending the analytical lens of this dissertation, I would argue that the future of Chinese "colonization" in Central Asia and Africa depends crucially on whether the Chinese firms leading the BRI are able to capture relationships with local resource holders. In many of the cases that are reported with alarmist rhetoric in the press, Chinese firms bring their own workers and their own contractors, meaning that their officials are isolated from the local vicissitudes of politics and can make a clean exit

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<sup>3</sup> Saim Saeed, "China's plans to rule the seas hit trouble in Pakistan," POLITICO, (August 17, 2017), <https://www.politico.eu/article/china-plans-to-rule-seas-hit-trouble-in-pakistan-balochistan>; Syed Irfan Reza, "15,000 military personnel protecting CPEC," *Dawn*, (February 21, 2017), <https://www.dawn.com/news/1316040>.

<sup>4</sup> Paul Natulya, "Implications for Africa from China's One Belt One Road Strategy," *Africa Center for Strategic Studies*, (March 22, 2019), <https://africacenter.org/spotlight/implications-for-africa-china-one-belt-one-road-strategy>.

<sup>5</sup> Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," *Council on Foreign Relations*, (January 28, 2020), <https://www.cfr.org/background/chinas-massive-belt-and-road-initiative>.

when required. Contrary to popular belief, this type of unilateral action is antithetical to the establishment and growth of commercial government by groups like Chinese state enterprises.

Instead, it is more likely that such activity will take on a true imperial bent if local economic or military elites choose to use their influence to advocate for policies favoring foreign firms and their interests. In addition, if locals begin to look to foreign firms for the provision of legal justice or security, this may produce islands of foreign control. Such signs, however, are currently missing in China's extension of economic development via its state enterprises to poorer countries.

### *Gunda Raj and Strongmen in South Asian Politics*

In Uttar Pradesh (UP), India's largest state with a population of approximately two hundred million, the term "*gunda raj*," or government by thugs, is thrown around casually. UP is one of India's least developed states and has one of the highest crime rates in the country.<sup>6</sup> Under *gunda raj*, "mafia-like bosses claim for themselves the rights to discipline and punish, protect, tax and represent local populations." In democracies where mafias and gangs are influential in national politics, former criminals can become elected officials and elected officials often rely on the support of criminal organizations.<sup>7</sup>

Since the 2016 election of BJP candidate Yogi Adityanath in 2016 UP's chief minister, the state's government has claimed that *gunda raj* has been eradicated, in an echo of the BJP government's national stance as being tough on crime. However, under the BJP government in UP, the long-existing system has simply morphed. The previously dominant parties in the state, the BSP and SP, had used different methods to win elections; while the BSP drew on local business elites for candidates, many

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<sup>6</sup> Asim Ali, "Yogi Adityanath said 'gunda raj' over and people bought it. But UP crime still the worst," *ThePrint.in*, (July 6, 2020), <https://theprint.in/opinion/yogi-adityanath-said-gunda-raj-over-and-people-bought-it-but-up-crime-still-the-worst/455360>.

<sup>7</sup> Nicolas Martin and Lucia Michelutti, "Protection Rackets and Party Machines: Comparative Ethnographies of 'Mafia Raj,' in North India," *Asian Journal of Social Science* 45 (2017): 693-723.

of whom had criminal ties, SP candidates were recruited from within the party's local machinery and were more secure in their positions as a result. In contrast, the BJP also recruits from business elites in the state like the BSP, but it has less discipline over its candidates unlike the SP, leading to a spiral of violence that police and other state officials cannot control. In July 2020, no less than eight police officers were shot and killed in an encounter with a mafia operative.<sup>8</sup>

Many mafias and gangs that operate in state politics in India come from specific kin and caste groups in India. A typical example is the career of the hugely popular chief minister of Andhra Pradesh, Y.S. Rajasekhara Reddy, known by his initials, YSR, who died suddenly in 2009, leading to an outpouring of grief across the state and even the mass suicides of diehard fans of the late chief minister.

Political scientist Milan Vaishnav finds that YSR's path to politics was paved by his charismatic appeal as a strongman in his own rural town. By the time he became chief minister, he had perfected the art of offering state patronage for lucrative deals from businesses. These deals were conducted through YSR's son, Jagan, who was listed as the head of various incorporated entities that negotiated the deals: "According to police documents, Jagan and his father used the latter's office to carry out a massive 'pay to play' operation: businesses seeking favors from the state, namely land allotments, would agree to invest in Jagan's businesses in exchange for favorable treatment by the YSR government."<sup>9</sup> In return, businesses received "highly prized land at throwaway prices" and were able to avoid regulatory hurdles and bureaucratic red tape.

India's weak state capacity allows strongmen like YSR to fill critical gaps in governance. These men (and sometimes women) possess the connections to circumvent state bureaucracy, handle run-ins with police, obtain access to state institutions, etc. for their constituents, many of whom have little

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<sup>8</sup> Ali, "Yogi Adityanath said 'gunda raj' over."

<sup>9</sup> Vaishnav, *When Crime Pays*, 28.

chance of obtaining such access on their own. As a result, constituents are often pleased to vote for candidates with criminal records, perceiving such strongmen to be competent and tough enough to handle the frustrating terrain of Indian politics. Criminal candidates of political parties have been known to contest elections even from within prison; in cases where they can't stand for election, they often forward family members as candidates to keep power and resources within the family.<sup>10</sup>

As a result of this criminal political economy in parties and elections, candidates, who must participate in the time-honored tradition of vote buying, are often advantaged by criminal connections, which allow them to finance the expenses of providing cash giveaways and gifts like liquor and cell phones to voters. Vaishnav argues that in the Indian context, which contains “weakly institutionalized parties, and an ineffectual election finance regime, parties are likely to prioritize self-financing candidates who do not represent a drain on party coffers but can instead contribute ‘rents’ to the party. For these purposes, rents mean not only illicit financial transfers but also the ability of candidates to cover the expenses of contesting elections and bring in resources for the party.”<sup>11</sup>

It is clear that criminality in Indian party politics results from the strong caste, religious, and economic ties that strongmen can mobilize to bring money and influence to resource-starved parties. Criminal organizations thereby become deeply intertwined with democratic politics, and Indian state governments come to look just as multifaceted as some early modern organizations with multiple social repertoires at their disposal.

While the sovereign state is unlikely to be displaced as the dominant form of political organization, as some have warned, it is useful to remember that its authority in most parts of the world is neither absolute nor complete. This is especially easy to witness in periods of rapid economic transformation.

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<sup>10</sup> “Eliminating the mafia from Indian politics,” *Livemint.com*, (November 7, 2017), <https://www.livemint.com/Opinion/cX5c3aUY85DmgIWGXajbUI/Eliminating-the-mafia-from-Indian-politics.html>.

<sup>11</sup> Vaishnav, *When Crime Pays*, 121.

This dissertation has considered one period of rapid economic change in the eighteenth century. There is little doubt now that we are living through another period of rapid economic transformation, sometimes referred to as the “fourth Industrial Revolution.” Experts note that today’s economy is increasingly characterized by the expansion of technology-based services in daily life, increased reliance on automation and artificial intelligence, and the emergence of the “gig economy.”

Simultaneously, there has been increasing scrutiny of the influence of large, multinational corporations on political and economic life. Corporate giants are often observed filling gaps in governance, particularly in the developing world where state capacity is low. For example, Google’s balloon-based phone service, through Alphabet subsidiary Loon, was used to provide wireless coverage for Peruvians who struggled to communicate after devastating floods in Lima in 2017. Meanwhile, Chinese firms, both private and state owned, have been instrumental in building roads, energy grids, and government buildings across a wide range of African countries, including Nigeria, Kenya, and South Africa. More broadly, the privatization of governance has alarmed observers who see this as the erosion of the state’s authority and legitimacy even as state intervention to manage growing inequality is demanded.

That conversations about the ongoing transformation of the economy and the growing influence of businesses and criminal organizations are occurring simultaneously is no coincidence. In brief, large-scale economic transformations are nearly always accompanied by changes in the organizational and institutional landscape of society. Certain methods of configuring capital and generating revenue tend to thrive during periods of transformation and then have ripple effects for political life. In the eighteenth century, the joint stock corporation was the institutional and organizational innovation that harnessed changing economic conditions to become a formidable political actor. It behooves political scientists to pay attention to how commercial organizations chart this path, especially since some of them, past and present, may have the power to change the course of world history.

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