



## ECONOMY OF BENGAL IN 19<sup>TH</sup> CENTURY

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### ABSTRACT

It contributes to the discussion on relative living standards in the early modern world by calculating the income of and the likely range of income increase in Bengal prior to the arrival of the Europeans in the region. After conducting the exercise, two conclusions were reached: (a) the average income in Bengal was significantly lower than the average income in contemporary Western Europe, and (b) there is insufficient evidence to conclude that the average income increased or decreased in the 50 years prior to colonization and the century following colonization. The first conclusion is pertinent to the discussion on the roots of international economic disparity, or 'divergence,' while the second conclusion is relevant to the study that examines the economic consequences of colonialism.

**Keywords:** *Colonization, divergence, Evidence, Economic Disparity.*

### INTRODUCTION

The Indian evidence that has been presented in this dispute is exploratory in nature. An hopeful picture of South India in the eighteenth century is painted by one author, who believes that the key distinguishing factor between Britain and South India in the nineteenth century is colonialism. The thesis is based on wage estimates, which have been questioned by other authors in the past. According to another recent contribution, the premise that India and Europe were similar in terms of market efficiency is incorrect. Despite the fact that this test demonstrates that regional markets in South Asia were weakly linked in the eighteenth century, we should be cautious about inferring levels of living from fragmented data on wages in the twenty-first century. Although estimates of long-term changes in living standards based on wages suggest a dramatic fall in the real wage in early modern India, this finding needs to be corroborated with other sources of data to be conclusive. The discrepancies in findings suggest that calculating income rather than wage should be considered in future research. In addition, an estimate of income is required as a first step in making comparisons between national accounts aggregates. Before European colonialism began in Bengal in 1763, the present research attempts to calculate an estimate

of the average income in the region. There are three reasons why Bengal is an excellent region for such an operation. On the one hand, many people of the time felt that Bengal was one of the richest districts of India, due to its fertile soil and abundant water resources as well as its big cotton textile industry. An estimate of Bengal's income should serve as an upper bound on the conceivable range of income for the entire South Asia region, rather than a lower bound. Second, Bengal was the first territory to be colonized by the English East India Company, and it was also the region that was colonized for the longest period of time. An early assessment of Bengal's income can be used to evaluate the long-term influence of colonial authority on the region's development.

In addition, because of the region's importance in the eighteenth century in terms of commerce, administration, and military affairs, statistical sources on the region are abundant. Many tracts on the economy of the region were written between 1765 and 1815 by merchants and company officers associated with the Company. These tracts contain statistical data on aggregates such as taxation, population, and cropped acreage, as well as standard yields, rents, and wages for a certain year or period. Tax data were reliable, population and acreage were inferred, while yield, rentals, and wages were educated guesses based on available information. This article makes use of tax data to estimate income, as well as reconstructed population and land area, to calculate averages and perform consistency checks to the averages using a third dataset that includes yield, rentals, and wages. Afterwards, there are five sections that deal with the historiography, sources, methodology and results, implications, as well as a reiteration of the conclusions, among other subjects.

### **Historiography**

During the time period under consideration, Bengal was an independent state that had broken away from the Mughal Empire with little change in its administrative structure, according to the research. The terrain was extremely diverse in terms of geography. Included in this area were the fertile lower Ganges alluvial flat land, the less productive Bihar lowlands, the semi-arid uplands of western India, and the fertile but isolated southern shore of India. During the study period, the state collected taxes from middlemen known as zamindars, talukdars, and maliks, who in turn collected rent from peasants, retained a portion of the rent, and then handed the remainder to the royal treasury, according to the findings. The widespread consensus is that the rental assessment was extremely high, amounting to as much as half of gross output. Rental prices were cheaper on areas that had been donated to religious figures, mosques, and temples, or that had been made available

to peasant groups for the growth of agriculture. It is not clear what percentage of the money was paid to the Treasury by the intermediaries.

The amount of goods they delivered, on the other hand, is known. For a long time before the transition, control of the fiscal system and the military-civil administration was held by two functionaries, the latter of whom was usually a close relative of the Emperor and the former a courtier. These two officers of the state, the dewan and the subahdar (known as Nazim in Bengal), had a strained relationship that served the Emperor's interests by keeping dissatisfaction on either side under control. When Murshid Quli Khan (1700-26), widely regarded as the most successful provincial ruler of his time, consolidated the two posts in the early eighteenth century, the result was a unified power.

His success was evaluated in the first half of his reign by the regularity with which he paid tribute to Delhi, and in the second half of his rule by the rise in the amount of revenue he collected. Historically minded individuals believe that this success was not due to a policy of increased output. Murshid Quli was able to achieve success through exploiting the tax-collecting elite under his command, the zamindars, as well as strife and competition in this sector of activity. An English East India Company force headed by Robert Clive was victorious in the battle of Plassey in Bengal thirty years after Murshid Quli's death, and the king of Bengal was deposed and a friendly regime was installed.

While serving as the Nawab of Bengal in 1763, Mir Qasim became enraged and was defeated in 1764, when the titular Emperor of Delhi transferred the dewanny (financial administration) of Bengal, Bihar, and Orissa to the East India Company. The previous diarchic structure has been reinstated, with the civil government remaining under the control of the Nawab. Due to the Nawab's heavy debt to the Company and reliance on its troops, the Company was the more dominating partner in their relationship. Mir Qasim had made a concerted effort in the two years leading up to this watershed moment to revamp the deteriorating tax administration system. One of the reasons for his defeat on the battlefield was a result of the zamindars' concern about these developments. The Company, on the other hand, was alarmed by his success in these activities, which were geared at a new military buildup at the time. Were the Bengal state and people impoverished as a result of the British Empire's transit through their lands? It was not until the first quarter of the eighteenth century that the Mughal Empire began to disintegrate into a slew of successor nations. British authority, according to nineteenth-century historians such as James Mill, brought stability to India following a period of disorder and violence that followed the demise of the Mughal Empire.

In a similar vein, the historians at Aligarh see the end of the British Empire as a process that unsettled and disrupted established systems of production and exchange, even though the contributors to this school do not subscribe to the imperialist perspective of the nineteenth century. According to their understanding, the collapse of the Empire and the decline of governmental capacity resulted in revenue farming, local conflicts, and the atrophy of capital that had previously been associated with imperial finance and luxury manufacturing in the towns. The most important contributions to this field of study acknowledge the confusing pattern of economic development that exists at this moment. While some historians believe that rising affluence in the early eighteenth century was followed by a looming crisis from the middle of the eighteenth century, which coincided with the onset of colonialism and de-industrialization, others believe the opposite.

Others, relying mostly on pricing patterns, argue that there was a crisis in the eighteenth century, but that the crisis had its roots in a decrease in land yield as a result of climatic and political causes. In yet another piece of writing, rising prices are interpreted entirely differently as indicators of commercialization. In the end, according to one author, the existence of a 'high-level equilibrium trap' resulted in a disadvantage as a result of increasing population and "pressure on the resource base," which "restricted effective domestic demand for mass consumer products." This study derives economic growth mostly on extremely speculative population growth estimates, which are based on historical data.

'The large majority' of Bengalis, according to another officer, 'are not likely to become customers for European products since they do not have the financial resources to do so.' Vendors of European goods such as metalware and glassware in the early nineteenth century indicated that their primary customers had been members of the political and merchant elite, such as the Nawabs of Carnatic and Awadh and the Parsi shipbuilders, among others. A drop in purchasing power could have occurred throughout the fifty years between Clive and Cowper, it is possible. Another explanation is that Company officers lost an illusion that had been sustained earlier by their proximity to regional rulers and their patronage of luxuries that the latter enjoyed as a result of their increased knowledge of rural economy and observation of the 1770 famine that decimated the peasantry, which is equally plausible. In other words, the history provides only exploratory responses to the two critical concerns that motivated it in the first place. When it came to the average Bengali on the eve of British control, how well did they fare? Was s/he better off or worse off in the century before, and in the century after, that followed? It is necessary to begin



with an estimate of the income from land, which was the primary source of livelihood and nearly the sole foundation for taxation in the region, before attempting a more direct approach, income measurement, to address these concerns.

### **Sources of Data**

In the first quarter-century following the assumption of the dewanny, Company officers battled huge information gap on the taxable capacity of the region. These information problems, in one view, drove them towards making a grant of private property right to the zamindars in 1793 against a promise to pay a fixed sum to the state. Between 1765 and the early 19<sup>th</sup> century, number of individuals connected with the new administration tried to estimate the present value of land in order to arrive at a measure of taxable capacity.

A private merchant close to the Company, George Smith, calculated the aggregate agricultural output in a normal year by multiplying the expected average grain consumption by the population and adding the export of grain to that total in 1791. According to his estimates, the population of Bengal was 12 million people. According to the researchers, '80 lb of rice will boil into 160 pounds and something more, which is more than enough food to feed 100 men, women, and children for an entire day.' His slightly better-informed estimate of the amount of rice exported from Bengal to other Indian ports between October 1, 1790, and October 1, 1791 was 180,000 bags weighing 72 kg (160 lbs) each, or 13 million kg, during that period. According to these estimations, Bengal produced rice to the tune of 1.7 billion kgs, with exports accounting for around 7.5 percent of total production. Smith calculated the grain requirements of Calcutta (which had an estimated population of 300,000 in 1791) in the same method, as part of a plan to build a public granary in the city at the time. He believed that a rice price of Rs. 0.052/kg would be equivalent to a hunger price, at which point 'hundreds of thousands' would come to the granary. Before the office of Accountant General of Bengal was dissolved in 1789, James Grant calculated agricultural productivity (1785) by multiplying the extent of cultivable land by the value of produce per acre. The position of Chief Sheristedar of Bengal was abolished in 1789.

Gross product per capita was calculated using an estimate of the number of peasants in the country. 29 Grant made a series of educated guesses about the situation that existed in 1785 and then evaluated it. 30 He estimated that 20 percent of Bengal's land area, 90,000 square miles, was uncultivable ('hilly, jungly, barren, and useless') and unproductive (built up, lying under water, or waste), with 40 percent classified as 'common pasturage... beneficial plantations' or exempt from taxation, according to him. The net harvested and

taxed area accounted for only 20 percent of total land area, or 11.5 million acres, which was a pitiful figure.

Income of five crore twenty-two lacks seventy-two thousand sicca rupees or Rs. 52 million should be generated by the medium value of the lands, which is 112 rupee per bega at the time of writing; however no modern administration has been able to collect even half that amount. This figure was chosen to emphasise that not only had Bengal been under-assessed, but that those who had heard of the 'vast riches' of Bengal but who lacked the means to 'estimate them intrinsically' needed to be reminded that the taxable wealth of "the acknowledged garden" of the East was, in fact, 'considerably insignificant. " Grant grossly overestimated the amount of land that was farmed and taxed in Bengal.

His argument for more taxes was based on the fact that the Company was short of funds and committed to costly war expeditions, just as any ethical administrator would have done in those circumstances. Another point to consider is that Grant was writing at a period when disruptions caused by the famine of 1770, which lasted a generation at the time, were still evident, and it is possible that Grant discovered cultivable waste lands all around him. Smith, a contemporary of his, had discovered a 'amazing' amount of good land laying waste in Bihar as well. Grant's calculations were based on the idea that a peasant family of the ordinary sort had access to 25 tiny bighas of land, or 1.67 acres per person, on which to farm their crops. An acre of land produced an average of Rs. 18 in gross revenue per acre. The Bengali peasant's "indolence" contributed to the fact that only roughly a third of the 11.5 million acres available for cultivation was actually put to use. There were ten million people in the country.

Given the size of the area, 168,000 homes or adult males would exist, and the population depending on agriculture would total 8.4 million people, according to the USDA. The total value of the gross output comes to Rs. 210 million. In the case of rice, his provision of Rs. 2 million as seed cost is far too low, given that the standard practise is 8-10 per cent of gross output. As a result of this correction, we arrive at Rs. 193 million as the value of agricultural income in Bengal during the year 1785. The results of these attempts are illustrated in Table 1.

## **METHODS AND RESULTS**

Since the late nineteenth century, when regular statistics on agricultural productivity, cultivated area, and prices began to be gathered, assessing agricultural revenue has followed the production method. This study cannot employ such approach because to a lack of independent data on cropped area and production. However, we have credible tax

measures from a time when the administration was obsessed with land taxes. The English East India Company took over Bengal's fiscal administration in 1765. The Rs. 26 million set by Bengal's former ruler, Mir Qasim, as total taxes in 1763 formed a benchmark for Company officers interested in taxation. So I'll utilise it later. On the assumption that land taxes remained stable with real output, I use the government's income to deduce the population's income. I define per capita income in three ways, depending on the information content:

$$G(1-s)/N = Tc(1-s)/N = (A/N)(G/A)(1-s)$$

Where

G = gross output value

s = proportion of seeds in gross output

N = population dependent on agriculture

T = tax delivered to the treasury

c = 1/t, where t is the proportion of tax in gross output value

A = acreage cropped

The per capita income is calculated in four stages. This activity starts with T, tax delivered to the treasury, not rent collected from peasants. In the first stage, the gross output is calculated by dividing T by three different t values and adding s and N. This gives us three per capita estimates. The second stage examines the three estimations' believability. Checks are made on four ratios obtained from the initial estimate: rent, tax, land-man, and yield. A given quantity of G suggests area per head (A/N) and yield per acre (G/A).

The range of income we receive from this, Rs. 33-44 million, is plausible because the average income is consistent with other sources. In 1950, William Fairlie, a Calcutta trader, estimated that average craftspeople earned between Rs. 3.75 and 11 per month. Around the same time, Francis Buchanan found that weavers in Gorakhpur earned about Rs. 23 per loom per year, or about Rs. The weaver's real earnings may be declining, whereas other artisans' incomes may be stable or climbing. As expected, the average textile income was between Rs. 7 and Rs. 10. Table 1's last row summarizes the exercise's outcomes. The figures per head are not too dissimilar from the early colonial computations, proving the trustworthiness of the methods used in this research.

**Table 1 Income in Bengal in the 18<sup>th</sup> century**

		Total (million)	Per head	Per acre
Grant (1785)	Gross product of land	210	25	18
Smith (1791)	Net product of land	117	11	
Kyd (1791)	Gross product of land			12
Colebrooke (1784)	Gross product of land	329	14	11
My estimate (1763)	Income <sup>b</sup>	338	12.3	12.5

- The current rupee is 2s, while the other measure, the sicca rupee, was 2s 3.84d. The Rs. 10 exchange rate was more regularly used in official value counts.
- This equates to 1.01 acres per person, Rs. 294 million in agricultural income, and Rs. 44 million in textile manufacturing income. The state, landlords, and peasants all have implicit shares of agricultural income of 8, 35, and 57 percent, respectively. The per capita income of peasants is Rs. 7. The tax and rent per acre are respectively Rs. 0.97 and Rs. 4.98.

## IMPLICATIONS

The computations so far have ramifications for comparisons between India and other countries as well as between Indian regimes. The data confirm that before the Industrial Revolution, India and Western Europe had very different incomes. In a regular farming season, the average Bengali was not poor. A peasant income of Rs. 7 per capita translated into calorie access above dietary requirements. Assuming a third of income was spent on clothing and other necessities, the remaining cash could buy 2200 calories of rice for adults and half that for children. In terms of caloric adequacy, Bengali peasants were as well-positioned as their counterparts in Europe and the Yangtze delta.

Tax-to-income ratio is too low for a powerful state. Poverty made the state subject to disillusionment of middlemen, meddling by wealthy foreign merchants and domestic financiers, and eventually colonialism. Neither did the average real income in Bengal between 1722 and 1763, nor between 1763 and 1881. Two computations in 1881 give a nominal agricultural income per head in Bengal of Rs. 16-17. Between 1763 and 1881, rice prices and average income in Bengal rose by 35-38 percent. We can conclude that natural production conditions, rather than colonialism, affected long-term developments in per capita income.

## CONCLUSION



The revenue of late eighteenth-century Bengal is reconstructed using the state's income as a starting point. The findings have implications for understanding the origins of inequality in the early modern globe, as well as early modern India's living standards, political economy, and economic progress. The picture painted here depicts a weak state that is reliant on lower-income livelihoods than Western Europe. On average, the income was sufficient to ensure adequate consumption, but not food security in the face of highly volatile grain prices. Between the early eighteenth century and the late nineteenth century, the paper finds no evidence to conclude either growth or fall in per capita income. For the peasantry, the transition to colonial control made little difference. More likely, real income per capita remained unchanged because natural resource endowments imposed hard limits on prospective land output.

The significant difference between Britain and Bengal in the late eighteenth century, according to early colonial civilians, was that British citizens supported a larger government than their Bengali counterparts. In 1800, the average tax burden in Britain was £2.2, while it was only £0.1 in Bengal. Average trades per person were £5.3 and £0.3, respectively, whether reflecting the state's mercantilism or any other factor. The evidence presented in this research supports the hypothesis that Bengal's poverty is due to a reliance on land for subsistence and a reliance on natural forces for cultivation. The rise and collapse of empires were largely unaffected by these conditions.

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