

**Economic Consequences of Commercialization of Agriculture in
Bihar with Reference to Opium Cultivation in British India during
the Nineteenth Century**

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Bihar with Reference to Opium Cultivation in British India during
the Nineteenth Century**

*Dissertation submitted in partial fulfillment of the requirements for the degree of Master of
Philosophy in Economics of the Jawaharlal Nehru University, New Delhi*

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M. Phil Programme in Applied Economics
2010-12



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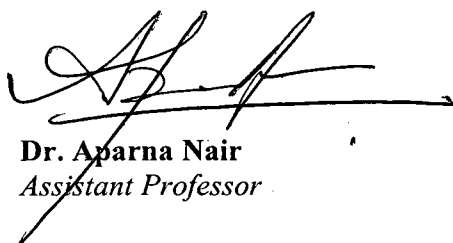
I hereby affirm that the work for this Thesis, "*Economic Consequences of Commercialization of Agriculture in Bihar with Reference to Opium Cultivation in British India during the Nineteenth Century*", being submitted as part of the requirements for award of the degree of Master of Philosophy in Applied Economics of the Jawaharlal Nehru University, was carried out entirely by myself. I also affirm that it was not part of any other programme of study and has not been submitted to any other University for the award of any Degree.

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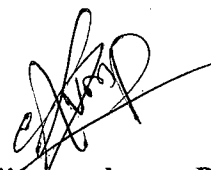


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Certified that this study is the bona fide work of RAHUL V KUMAR, carried out under our supervision at the Centre for Development Studies.



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Dedicated to Meghna and Sumeetha.....

Acknowledgments

What started off as a curious inquiry into the nature of opium cultivation in nineteenth century India grew into its current form following innumerable discussions I had with my supervisors Dr. Aparna Nair and Dr. N. Vijayamohan Pillai. I consider their support, guidance and critical comments as the most valuable contributions in this work.

My friend Siamlal commented that research is like building a house. It means sensibly assembling the whole lot of scattered materials around you, sorting them out and fixing stages brick by brick. At the end of the year you expect to see a neatly constructed structure, well cemented and with a strong foundation. My work progressed like this metaphor; and it was indeed a construction supported by some insightful minds. I am grateful to Dr. J. Devika who helped me assemble my primary material and select those bricks that were of the best quality. To whet through the material required a lot of passionate effort, mostly demanding and at times trying. Dr. A. V. Jose and Dr. K. N. Harilal provided the much required motivation. I thank Dr. Pulapre Balakrishnan for his support and offer to help at crucial stages. A valuable turning point in this construction was the time I spend discussing my work with Dr. Ravi Palat. Dr. Palat was critical and forced me to think beyond the constraints of my discipline, which contributed much in developing the structure. I acknowledge that my fourth chapter was a product of these discussions.

It goes without saying that well begun is half done. A hectic yet pleasant course was led by our coordinators Dr. Uday Shankar Mishra and Dr. Parameswaran M, and later by Dr. Sunil Mani and Dr. Vinoj Abraham. They helped us to think through what we were doing and to work within strong deadlines. All my classmates played crucial roles in shaping my thoughts and contributed to my curious enquiry on different topics. I thank everyone who was part of the 2010-12 M Phil batch at CDS for their role in contributing directly or indirectly to this work. I thank Suresh sir and his staff (especially Geetha Chechi) for their constant effort at systematically organizing the progress of our course.

This work owes a lot to the institutional facilities offered at the Centre for Development Studies (CDS) (Trivandrum), and especially its library and its entire staff. Vineeth and Biju, at the library, were extremely helpful and bore with my demands to search for neglected volumes through the seven floors of this complex. I also thank Ameer Ikka for his support. Sreekuttan proved of valuable assistance at photocopying large sets of documents.

Above all I thank my mother (Renuka), my father (Vijayakumar), my sister (Saritha), my wife (Sumeetha) and daughter (Meghna) for all the support that they provided over the years. This construction would have remained inert had not they cheered me with those infinite moments.

Rahul V Kumar

ABSTRACT OF THE DISSERTATION

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This thesis evolves in two objectives that puts in perspectives the widely debated nature and consequences of agrarian commercialization in India during the nineteenth century. We try to understand these consequences on the cultivators of a major commercial crop (opium) during the period in the region that now constitutes the state of Bihar. The theme that we deal with is 'transition' of agrarian structures, the factors that contributed to it, and its nature. Our theoretical enquiry borrows ideas of transition from different sources. We have two objectives in the study. The first objective aims to understand the relative status of the various indigenous actors involved in opium cultivation. We focus on analyzing the role of the cultivators relatively to the other actors and other regions within India that produced opium. The second objective aims to understand certain nuances of opium cultivation and contextualize the process of transition in the economy. This objective is developed taking into account the concept of power and the practice of power relations in a Foucauldian sense.

We conclude from our first objective that the cultivators under the Bengal Presidency were the most vulnerable indigenous actors (other actors being the merchant entrepreneurs and landlord/moneylenders) involved in opium production and trade from India. We point out that this vulnerability was directly related to the British policies aimed at containing competition from the Malwa region. Any change in production in response to policies primarily impacted the cultivators of opium. The picture that we paint is one where cultivators of opium are likely to have gained very little from the growing commercial agriculture in colonial India during the nineteenth century. To carry forward our enquiry we proceed from this point by asking the question: does the story of opium end with the picture of vulnerable cultivators, constantly exploited and often indebted?

Literature on opium production indicates the presence of a particular caste of people -the Koeris- as having dominated the cultivation in Bihar. Our methodology in the second objective was to see the present status of the Koeris and develop possible assumptions that can help us understand this status. As early as the last decades of the nineteenth century to the period immediately post-independence in India, the Koeris as a caste is seen to have risen in their socio-economic status. We try to understand this socio-economic ascend of the former opium cultivators as a direct result of the manner in which power relations were exercised by the British opium agency in nineteenth century Bihar. The power exercised by the agency was such that it never overlapped with the internal/indigenous hierarchies in Bihar and yet it very much controlled and maintained opium production at desired levels. This historical process preferentially included the Koeris to the state structure allowing them to transcend the pre-capitalist semi-feudal mode of production in Bihar.

This study concludes that agrarian commercialization was not of a silent disposition; it was a complex and fuzzy process without any particular trajectory. Beneath these stories, the development discourse in Bihar during the nineteenth century cannot be complete until we consider the brewing undercurrents that were triggered in its already fragile economic and social system. The objective outcome of processes like agrarian commercialization was hence the development of a population group that remained controlled, and later developed on a different trajectory once they were freed from these controls.

CONTENTS

Title	Page
Maps	X-XI
Units Measurements	XII
List of Tables	XIII
List of Figures	XIV
Chapter 1 Introduction	1-12
1.1 Background of the study	1-5
Colonial Bihar in the Nineteenth Century	
Answering Sceptics	
1.2 Opium in the Economic History of Bihar during the Nineteenth Century	5-10
1.3 Objectives of the Study	10-11
1.4 Methodology	11-12
1.5 Organization of the Study	12
Chapter 2 Theory and Literature	13-34
2.1 Introduction	13
2.2 Colonization and Incorporation of India into the Capitalist World Economy	13-25
2.2.1 World-Systems Framework	13-15
2.2.2 Mode of Production and the World-Systems	16-17
2.2.3 The World-Systems and its Influence on the Pre-capitalist Mode of Production	17-25
Theoretical Literature on Transition	
Some Caveats in the Transition Literature	
Literature on Transition in the Indian Context	
Some Caveats in the Mode of Production Analysis	
Significance of these Debates	
2.3 Developing a Theory for the Colonial Experience:	
Commercialization and the Existence of a Pre-Capitalist Mode in Agriculture	26-30
2.3.1 Agrarian Commercialization: The route taken by a non-colonized economy	27-29
2.3.2 Commercialization in a Colonial State	29-30
2.4 A Note on the Role of Caste and Power	30-33
Conceptualizing caste in the present study	
Power and the system of control	
2.5 Summarizing the Debates on a Theory on Transition through Commercialization	33-34
Chapter 3 Cultivators of Opium and Profit Generation	35-67
3.1 Introduction	35-37
3.2 Profits in Opium for the British	37-38
3.3 Role of Markets in Profit Generation	38-39

3.4 Complexities Influencing the Value Chain – The Case of Opium Production in Malwa	39-49
3.4.1 Complexities Posed by Alternate Routes (Trade Restrictions to Impose the Desired State)	41-45
3.4.2 Complexities Posed by Internal Consumption (Production Restrictions to Impose the Desired State)	45-49
3.5 Factors that Influenced Indigenous Actors in the Value Chain	49-65
3.5.1 The Merchant Entrepreneurs (ME) in Opium Trade	49-54
3.5.2 Landlord/Moneylender and Opium Trade	54-57
3.5.3 Cultivators of Opium	58-65
3.6 Conclusion	66-67
Chapter 4 Cultivators of Opium and the Idea of Transition	68-83
4.1 Introduction	68-69
4.2 Documenting Caste alongside Commercialization in Nineteenth Century	69-70
4.3 Economic Status of Cultivators and Cost of Cultivation of Opium in Bihar	70-77
4.3.1 Constructing some Assumptions on the Status of Opium Cultivators	72-73
4.3.2 Cost of Production and Profits from Opium Cultivation	73-77
4.4 Social Organization of Opium Production – Increasing Acceptance of Caste and the Exercise of Power	77-79
4.5 Effect of the New Form of Power Relations on Cultivators Effects of Power Relations – Preferential Inclusion of Particular Groups	79-81
4.6 Validating the Effects of Preferential Inclusion – The Status of Koeris Post-Independence	81-82
4.7 Conclusion	82-83
Chapter 5 The Consequences of Agrarian Commercialization in Bihar	84-87
5.1 The Silence of the Development Discourse of Commercialization	84
5.2 Fuzzy Commercialization	85
5.3 Findings of the Study	85-86
5.4 Implications for Further Research	86-87
References	88-95

Historical Map of India: The Beginnings of the British Dominion



Source: http://www.emersonkent.com/map_archive/india_1783.htm, Accessed on 17-06-2012
Credits (as in the source): University of Texas at Austin. From the Cambridge Modern History Atlas, 1912.

Historical Map of India: The Beginnings of the British Dominion



Source: http://www.emersonkent.com/map_archive/india_1783.htm, Accessed on 17-06-2012
Credits (as in the source): University of Texas at Austin. From the Cambridge Modern History Atlas, 1912.

Units of Measurements

Land

1 Bigha = various estimates exist (from less than an acre to approximately 3 acres)

Weights

1 Seer = 0.93310 kilograms = 16 Chattacks

1 Maund = 40 Seers

Money System

16 Annas = 1 Rupee

Opium Weights

1 Chest of Bengal Opium = approximately 73 kilograms

1 Chest of Malwa Opium = approximately 64 kilograms

Weight of one packet of excise opium = 1 Seer

LIST OF TABLES

Table Number	Title	Page
1.1	Export Revenue of Three Major Commercial Crops (in Pounds)	7
3.1	Comparison of the Desired States in the Two Opium Producing Regions	40
3.2	Exports of Opium (number of chests) to China from Malwa and Bengal 1800-01 to 1838-39	42
3.3	Revenue on Consumption of Opium in India (in Rupees) and Number of Abkari Chests Manufactured for Consumption in India 1878-79 to 1889-90	47
3.4	Consumption of Malwa Opium in British India and Native States 1883-84 to 1892-93	48
3.5	Production and Earnings of Opium Cultivators in Bengal 1858-59 to 1892-93	63
4.1	Components of the Cost of Opium Production (per bigha in Rupee-Anna) in Bihar in Different Time Periods as Estimated by Various Sources	74
4.2	Cost Estimates (in Rupee-Annas) of Producing Opium in the Native States	75

List of Figures

Figure Number	Title	Page
3.1	Value Chain in Opium	35
3.2	Ratio of Opium Exports to Total Exports, 1842-43 to 1879-80 (in percentage)	38
3.3	Annual Percentage Changes in the Quantity of Opium Exported from Malwa and Bengal during the Period 1800-01 to 1819-20	44
3.4	Annual Percentage Changes in the Quantity of Opium Exported from Malwa and Bengal during the Period 1820-21 to 1838-39	45
3.5	Fluctuations in Price per Chest (in Rupees) of Opium in India 1800-1850	54
3.6	Comparison of amounts paid to the cultivator and the total net opium revenue (in Rupees as equivalent to one Pound Sterling) for the period 1867-68 to 1889-90	60
3.7	Area under Poppy in Bengal (in Acres) for the Period 1860-61 to 1889-90	61
3.8	Total Opium Exports (From Bengal and Malwa) for the Period 1859-60 to 1889-90	64
3.9	Price per Chest of Opium 1867-68 to 1889-90	65
3.10	Relative Status of the Opium Cultivator in the Bengal Monopoly	66
4.1	Evolution of Koeri Caste: Unexpected Consequence of the Agency System	81

Chapter 1

Introduction

“It was a false perspective to take a unit like a “tribe” and seek to analyze its operations without reference to the fact that, in a colonial situation, the governing institutions of a “tribe”, far from being “sovereign”, were closely circumscribed by the laws (and customs) of a large entity of which they were an indissociable part, the colony”.

Wallerstein (1974: 5)

Premise

Our effort in the present study is to add to the vast existing literature which tends to broaden the scope of development moving beyond strict economic reductionism. This is a historical study understanding the development of a region across decades. An aspect of history which we shall put to test in the following pages is its flexibility to create plausible stories out of data and to use data to explain and validate a theory (Roy, 2000).

1.1 Background of the study

Consequences of commercialization¹ do not limit itself to the economy. Changes brought about through the creation of profits in commercialization, and through the specific ways in which labour was used had wider connotations going beyond the ‘economic’.² These connotations should not be understood in terms of its effects on the society alone but rather should be

¹ Roy (1999,25) defines commercialization as

- A shift away from production for one’s own use, or for use as gifts and tributes, to production for the market, especially the non-local market.
- A shift from local to non local trade.
- The creation of infrastructure and institutions that aid such a shift.
- A change in consumer and producer behaviour induced by the possibility of long distance trade.
- Expansion in demand.

² The ‘economic’ aspects of these changes were mainly emphasized in the Marxist theories. In the case of India these studies focused on “a particular constellation of economic factors- pre-capitalist institutions and relations, in most cases legacies of the colonial past-” that “were acting as constraints on the inexorable historical materialist process” (Sanyal, 2007: 32).

understood in terms of the processes that shaped these effects. In this work we try to analyse these processes by developing the analytical tool of 'transition' of regions.³

Our study attempts to understand and refurbish transition⁴ of regions and specify some nuances which shall enrich the existing theories on transition going beyond the economic. We shall broadly define transition as those changes which draw any region/or population from a particular socio-economic status to a better status; taking into account that power relations play a crucial role in determining changes. Our study shall examine the Indian state of Bihar⁵ in the colonial context. The state of Bihar until the recent past is seen to have developed at a relatively slower pace compared to the rest of India. A largely agrarian economy, any understanding of Bihar's growth is tied to its performance in agriculture. From our present day vantage point, the socio-economic situation prevailing in agrarian Bihar is seen to have stagnated at a particular level, which is considered a major hurdle in implementing reforms in agriculture. In terms of economic development, such a consolidation of social structure historically has prevented the penetration of reforms primarily on land, labour and credit markets. Post-independence efforts to develop Bihar through state intervention are seen to have failed in achieving one or more of these ends.

Several factors have been highlighted as possible reasons for this situation. Since our study is based on the colonial period, we are particularly interested in the increasing role of caste and internal power relations in Bihar's agrarian structure. The reason is that there is growing evidence in literature to suspect that these factors developed and strengthened historically in Bihar under the British. The consequence of this was the growth of 'population groups' with particular advantages capable of siphoning off the positive impacts of development in the state.

³ Refer for instance Breman and Mundel ed. (1991) which gives a broad generalization of the Marxist idea of transition. They identify three aspects as crucial in transitioning a predominantly rural area: The role of an active state (historical or present); class relations which determine the internal dynamics of a rural society; and the external linkages broadly covering the creation of a home market.

⁴ Theorists and researchers at times use the term transformation to indicate the process of transition. We have used both these terms throughout the thesis, which generally refers to the same process.

⁵ In the colonial context the region comprising present day Bihar was part of the region controlled by the British called the Bengal Presidency. We have used the broader category of Bengal Presidency as our analytical unit at most instances throughout the text and has narrowed down to explaining specific contexts for Bihar when and where data and literature were available. The legislations pertaining to the Bengal Presidency was directly applicable to Bihar.

Colonial Bihar in the Nineteenth Century

Colonial Bihar in the nineteenth century is our starting point. We have taken this historical period considering a crucial change that was initiated in the region - commercialization of agriculture was undertaken on a systematic basis and in large scale during this period. Surplus creation and capital accumulation was unprecedented compared to earlier periods. This should have been sufficient to make investments in agro-based industries and in the parallel growth of the industrial sector.⁶ But such an economic transition towards industrialization did not materialize.⁷ The question as to why Bihar failed to capitalize on this early attempt at commercialization has hence been differently interpreted. The nationalist economic historians argued that this was primarily due to the drain of wealth from India; all export surplus as well as other profits from commercialization being swept away to aid capitalist development in Europe. Another group of scholars claimed that regions like Bihar had inherited its rigid social institutions from earlier periods (prior to the British conquest), which in turn failed to transition it even amidst possibilities under commercialization. These studies are relevant in that they have generated a series of testable hypothesis and motivated further research into the history of the commercialization in Bihar under the British.⁸ A major consequence of these researches was an attempt to understand the question of inequality in the context of commercialization.⁹

⁶ This agro-industry dependence was a feature of sugarcane production Barik (2006). However, capitalist development in agriculture never took place in a full-fledged manner in Bihar.

⁷ This is in line with what Habib has noted that "Colonialism created a dual and contradictory situation: the objective conditions for the development and spread of capitalist accumulation which could have developed industrial situation in India....However, through the extraction of tributes, free trade deliberations and intensifying non-capitalist modes of accumulation, colonialism greatly reduced the possibilities through which capitalist accumulation could develop the country....." Habib (1995: 294).

⁸ Two representative extremes on the nature of commercialization can be seen in Roy (2011) and Patnaik (2011). While Roy claims that commercialization in the nineteenth century might have led to the development of institutions that aided India in its later agrarian revolutions, Habib looks at the possible destruction of the institutional structure due to commercialization.

⁹ One of the early works which concluded that markets did not accentuate inequality was by Dharma Kumar (1975) in the context of Madras Presidency. However, policies of the colonial enterprise varied with place and time. The impact of production for the markets could be seen either as coerced by the administration or as an involuntary entry of the cultivators into the markets due to their initial indebtedness (Chaudhuri, 1971; Bhaduri, 1983). This has produced varying results for different regions that were studied.

Changes in Bihar's agrarian structure during the period of commercialization thus became an important research theme. Barring certain studies, most of these researches on development in Bihar were either a validation of hypotheses on the nature of underdevelopment based on prominent theories (mostly on the Marxist tradition), or were generalized in the context of explaining the Indian experience. These studies never exhausted all possibilities and have in fact created room for further research.¹⁰

The present work examines these possibilities under commercialization for a crop which stood out during the entire period of nineteenth century for its "potentialities to develop capitalist agriculture"¹¹ in Bihar - opium. Opium cultivation in Bihar has always found a mention in some of the major studies on India under the British rule.¹² Most of these studies concentrated on the trade in opium and the amount of surplus generated by the commodity not only for the East India Company, but also for private merchants and entrepreneurs from India as well as Europe. However, these were not comprehensive studies in the sense that the focus at most instances was to practically explain exploitation of the region. Hence any variable associated with commercial crop production in nineteenth century Bihar (or for that matter Bengal) started with the teleological assumption that it possibly contributed to growth divergence. Although the broad picture is true, it tends to understand British exploitation of Indian labour and capital as a story of exclusion of the latter from the process of development. Our story on opium shall attempt to understand how specific forms of power relations created in the context of opium commercialization contributed to differentiations of population within its agrarian structure. This led to an inclusive process of capital creation where British policies brought in specific changes to groups of cultivators involved in opium cultivation. Such an inclusion had different consequences (for the specific group of cultivators as well as for other tied to them in the society) which we shall analyze in detail.

¹⁰ These researches have not only expanded to cover crops and regions but also in validating and expanding existing theories as well as developing new theoretical insights in understanding the complex agrarian structure of India.

¹¹ I have borrowed the phrase from Habib (1969). The said work is titled "Potentialities of Capitalistic Development in the Economy of Mughal India".

¹² Refer for instance Marx (1976), Luxemburg(2003), Dutt (1906), Habib (1995), Roy (2010), Richards (2002) and for more detailed works Siddiqi (1995), Farooqui (1995, 2006)

Answering Sceptics

There are sceptics who question the necessity of further research in the role of opium production during the nineteenth century in India, but certain facts and conclusions illustrate instead the research on opium has by no means exhausted all possibilities. Richards (1981: 60-61) says that opium cultivation in India during the nineteenth century has largely been an unexplored field. This is mainly due to the kind of cultivation practiced which was restricted to relatively small tracts in north India. In the cultivated tracts area under opium never exceeded two to three percent. However, despite these small figures, opium cultivation had significant impact on the peasant economy. Hence it is likely to revitalize our understanding of the development of peasant economy in Bihar with particular reference to opium cultivation and its consequences. A stronger observation that has been pointed out by Farooqui, (1996, 2006) is that the port of Bombay grew at the expense of Bihar especially with respect to the trade in opium. Such observations call for greater attention to organize facts and examine in detail the significance of this crop for the producing states.¹³ Given these observations, our study shall attempt to understand the nature and result of opium cultivation in Bihar and how it contributed to or detracted socio-economic transition of Bihar.

1.2 Opium in the Economic History of Bihar during the Nineteenth Century

Bihar is one of the regions in India which has served the longest period under British rule (Bandyopadhyay, 2004). It is hence likely that the socio-economic conditions of this region were significantly influenced by the rule. The state has evolved post-independence as one where agriculture was the main stay of the economy and where it was comparatively poorer with respect to the eastern states as well as with regards the entire nation (Bhalla and Singh, 2010). The historical origin of this stagnation is traced in different studies (Pradhan, 1979; Wadhwa, 1981; Bharti, 1992; Sharma, 2005). Most of these studies use the permanent settlement (1793) as a starting point to analyze the agrarian structure of Bihar and significantly resort to understanding this backwardness as a result of the continuous experiments in agrarian Bihar initiated by the British; specially the undue urgency in commercializing which began somewhere

¹³ Farooqui (1995: 449) notes that "The clandestine nature of the trade might have subverted any attempt from the Indian side to document its details". Hence there is a dearth in data on native production/consumption of opium.

during the end of the eighteenth century. The British advent demanded changes in the existing structure of production and social relationships through demand for revenue first in the form of money and then as tributes Bagchi (1982). Commercialization of agriculture provided the background for these changes.

A crop which played a dominant role in the extracting revenue through both the forms during the commercialization process was opium. Opium was one of the earliest commercial crops of Bihar and the greatest revenue earner (especially in the triangular trade with China) next to land and salt in nineteenth century India (Singh, 1980; Melancon, 1999) (Refer Table 1.1).¹⁴ The importance of opium to sponsor the British capitalists is discussed in Rosa Luxemburg's seminal work "*The Accumulation of Capital*" as well as in Marx's "*Capital Volume I*", as a source of primitive accumulation. A series of pamphlets written at various time points in the nineteenth century also highlighted the extent of opium production in Bihar that made it a major player in maintaining British revenue requirements (e.g. pamphlets by Brown (1891) and Lucas (1894)).

Although opium production increased during the British period, it was not the British who introduced the crop in India. The history of opium cultivation in India is traced back to the Arabs who first introduced the commodity as early as the sixth century (Choury, 2009). During the Mughals and especially under Akbar (1556-1605), we see mentions of opium. However, there are no indications that the crop was extensively cultivated nor any mention of Bihar as an important opium cultivating area.

¹⁴ Britain had two wars with China, the ultimate result of which was to open up the Chinese ports to opium from India. The First Opium War (1839 to 1842) opened five ports Canton, Amoy, Fuchon, Ningpo and Shanghai for trade, while the Second Opium War (1857 to 1860) legalized this trade.

Table 1.1: Export Revenue of Three Major Commercial Crops (in Pounds)

Year	Opium	Indigo	Raw Cotton
1849	5772526	2093474	1775309
1850	5973395	1838474	2201178
1851	5459135	1980896	3474489
1852	6515214	2025313	3619989
1853	7034075	1809685	3629494
1854	6437098	2067769	2802150
1855	6231278	1701825	2428764
1856	6200871	2424332	3314951
1857	7056630	1937907	1437949
1858	9106635	1734339	4301768
1868	12330799	1823226	20092570
1869	10695654	2893823	20149825
1870	11963330	3178045	19079138
1871	10783863	3192503	19460899
1872	13365228	3705475	21272430
1873	11426280	3426824	14022858
1874	11341857	3555300	13212241
1875	11956972	2576302	15257342
1876	11148426	2875065	13280959
1877	12404748	2962786	11746184

Source: Dutt (1906: 162, 357)

It is only during the early eighteenth century that any mention of Bihar with regards to opium gains mention in literature. Captain Alexander Hamilton notes the production of opium in Bihar as early as 1727 and its trade through the Patna Merchants. Before the British took over administration of Bengal, the monopoly of the Patna Merchants enhanced competition between European traders for opium in Bihar. Other competitors in opium trade were slowly wiped off when the British established themselves in the region. Monopoly control of opium continued with the British (Singh, 1980).

Initially, following the grant of *Diwani* by the Mughals, opium production was organized under the contract system. Contracts to cultivate the crop were given to the cultivators, and middle men operated to control the same. The system which continued until 1797 was plagued with corruption, with benefits going to the middlemen and the raiyats at the losing end (Singh, 1980). The result was an overhaul of the existing policies and the establishment of agencies in Benares

and Bihar to control production, area under cultivation and export of opium. Licenses and advances to cultivate opium date from this period and extended well into the early decades of the twentieth century (Richards, 2002). From then on the agencies held absolute monopoly in determining the trade and control of opium for more than hundred years.

Commercialization of agriculture under opium is significant in understanding the economic history of Bihar under the British as it was (perhaps like Indigo) different from other commercial crops. I shall note some of the major difference below.

1. Opium production in Bihar was not a smooth process. Severe competition from other opium producing areas within and outside India often necessitated policy adjustments that created constant vagaries and hence unstable expectations in taking up opium farming. The Malwa region in India was the major competitor for the Bengal monopoly. Much of the policies that were adopted for cultivating opium in Bengal, as we shall show later, were a direct response to ward of the competition from Malwa. The resultant monetary gains for the administration never spread to the actual cultivators. However, the cultivators of opium were able to shore up major financial downturns and gain social inclusion in Bihar, which otherwise would have been impossible. On the whole, what seemed to be a complete monopoly (in opium production and trade) was largely an unstable affair.¹⁵
2. Commercialization under opium was structurally different from other crops (Chaudhuri, 1970a, 1970b). This was not only because the production was restricted by the agency system but also in that a well defined hierarchy of middlemen organized and controlled the cultivators producing opium. The license system never excluded anyone interested in cultivating opium. However, we see that a particular caste (the *Koeris*) were the most favoured cultivators and the British administration took all opportunities to glorify the

¹⁵ Opium production in India during the nineteenth century was characterized by competition between the Malwa region and the Bengal Presidency. Malwa, under the control of princely states, produced opium in greater quantity and purity compared to Bengal. Production in these regions continued uncontrolled initially, and the opium produced was sold primarily to China. Restriction in exports from Bombay was introduced at a later stage by the British following its military control of the West of India. These restrictions were resisted by smuggling opium produced in Malwa through the Portuguese controlled port of Daman. We shall be showing with the available data at a later stage in the thesis that Malwa proved to be continuous hurdle to the production in Bengal.

skills of the *Koeris* and promote them as the group best suited to undertake the occupation. This had impacts in shaping up the social and economic position of the *Koeris*.

3. Opium was one of the most important traded commodities in British India. The revenue earned from the trade as well the excise and pass duties earned from opium within India contributed handsomely to sustaining the revenue requirements of the British as well as in sponsoring British investments abroad.¹⁶ The cultivating areas hence were strategically important and the need arose to protect them. There are claims that Bihar was protected from famine by the large scale transfer of grains from other areas to protect the opium monopoly.

4. Although opium cultivation in Bihar accounted for a very small area, in terms of revenue earned the crop easily outweighed all major commercial crops. Due to the sheer potential to earn such huge revenues, it can doubtless be said that opium was among the dominant commercial crops produced during the nineteenth century.

Each of these factors played crucial roles in determining the consequences of commercialization. The indirect consequences of opium cultivation (and commercialization in general) should also be noted. The growth and flourishing of commercial agriculture in Bihar during the nineteenth century coincided with the emergence of major legislations on land and the cultivating class.¹⁷ The key to land issues in Bihar has been traced to the *Zamindari* system which was strengthened as early as 1793 with the permanent settlement Act.¹⁸ The raiyats did not have the right to

¹⁶ The opium question seems to have created confusing responses even among the nationalists. Richards (2002: 381) says that anti opium agitations in Britain were considered by some of the national leaders in India as a form of cultural imperialism. He quotes from the national daily, *The Hindu* (11 May 1985) that "Opium may be a great evil, but national bankruptcy is a greater evil". It is also interesting to understand the popular attitude in England to opium trade and consumption. Xa (1997: 59, 65) notes the statements of two famous English novelists Thomas de Quincey and Charles Dickens. Quincey published his position on the China question in *Blackwood's Magazine*, where he showed his faith in the Opium War and described China as an "inorganic mass", "incurably savage" and "laughably impotent". Dickens regarded opium addiction as an oriental disease that could mentally and physically affect the Englishman.

¹⁷ It is difficult to establish a causal link between the two but neither can it be termed purely coincidental. The need to structurally modify the economy was a prerequisite before introducing major changes in agricultural production. These legislations could hence be a direct result of such efforts.

¹⁸ Jannuzi (1974: 10) says that when *Zamindari* abolition was first initiated in Bihar (1950) where "there were 205,977 revenue paying, permanently settled estates, representing 90 percent of the total land area of

transfer their holdings in *Zamindari* Bihar (Wadhwa, 1981). As a result investments were not made on land by the producers. The situation continued until 1885. Permanent settlement also disrupted the social order, and access to community property remained under a system of hierarchies.

What is noteworthy is that the history of nineteenth century Bihar has been variously interpreted. Some of the studies focus on the land system, while some on British policies. There are other studies which conclusively blame the *Zamindari* system and legislation that favoured them. A major gap is then to integrate and explain the contribution of each of these factors in shaping the agrarian structure of Bihar. We would attempt to do this with the specific story of opium in Bihar. For any observer, Bihar during the nineteenth century was a significant economy as far as its revenue earning potential was concerned. Opium trade at its peak contributed to one-sixth of the total revenue earned by the British (Habib, 1995). While the statistics indicate that the economy should have been flourishing, the society was instead marred by the strengthening rigidity of existing class and caste hierarchies, which remained resilient to external influences until the very recent past.

1.3 Objectives of the Study

We have defined our objectives to test the generalizations in literature on the impact of commercialization of agriculture in India by the British. Opium cultivation affected the 'economy' by creating markets, profits for those involved in production of the crop, and potentiality to invest. Economic consequences of opium production, however, depended on the extent to which markets were accessible, the amount of profits that could be generated and the

the state". With the slow decay of the Mughal Empire, and the independence of the provincial governors instability prevailed in the empire during the eighteenth century. Protection of raiyats which were a priority until the last years of the Mughal's started fading with the continuance of this situation. The revenue collection started being farmed out to the *Zamindars* (a heterogeneous group then). These group of people started gaining power with the reintroduction of the *Diwani* system. Land revenue had an important role in sponsoring Company activities soon after they assumed direct administration of Bengal in 1772 (Sinha, 1968: 9). The result was a wide range of experiments conducted to enhance revenue system especially after it was realized that famines could be of significant consequence to the revenue requirements of the Company. Some of the earlier experiments were the five year farming out system (under Warren Hastings), the system of annual settlements, large scale shift to commercial farming to extract more revenue etc.

ability of particular actors to reinvest. Hence economic consequences were defined in terms of social relations of production. Our contention is that social relations necessarily changed under opium commercialization. This evolution is marked not only by its general features but also with regard to specific impacts on population groups. Within this context, we examine the notion of 'power' and demonstrate that it was possible that a dominant mode of production could be transcended without changing it.¹⁹ We have developed two objectives to analyze this entire phenomenon. Our first objective aims to understand the relative status of the various indigenous actors involved in opium cultivation. We focus on analysing the role of the cultivators relatively to the other actors and other regions within India that produced opium. The second objective aims to understand certain nuances of opium cultivation and contextualize the process of transformation in the region that now constitutes Bihar. We state our objectives below:

1. To examine and empirically verify if profit was created by the cultivators of opium.
2. To understand the dominant mode of production under opium and to study if there were any transformations to the dominant mode.

1.4 Methodology

While relying on secondary sources and literature on the topic, our methodology will be to understand the nature of commercialization under opium in general and later to take up its specificities. We choose two different ways to achieve our result. One is an objective verification of the existing literature and data on opium to paint a broad picture of commercialization. The

¹⁹ In the course of this work, we have tried to understand the debate on what mode of production is best defined for the conditions in Bihar. Several researchers have tried to understand Bihar as having a semi-feudal mode (variously interpreted) but mostly incorporating the following factors (Bettelheim, 1975)

1. Lack of development of labour market, an institutional credit system and the existence of a large rural sector
2. Land rent as a source of collecting surplus, and a strict hierarchy of intermediaries between the landlord and the tenant
3. The lack of development of a proper marketing system "resulting in little social division of labour, a low rate of accumulation and the use of produce mainly to satisfy immediate needs" (Bettelheim, 1975: 23)

Rather than defining the agrarian structure in nineteenth century Bihar as strictly feudal (considering the various critiques on explaining the India in European terms, which we have discussed in the following chapter), we follow the above definition to explain Bihar's agriculture as embedded in a semi-feudal mode of production.

second is a subjective analysis based on the creation of certain possibilities that can be extracted from the existing works. The attempt is to explore contradictions that can arise in such a treatment so that further research can be taken up to validate the subjective considerations.

1.5 Organization of the study

There are three main chapters to the study excluding this introduction and conclusion. The two core chapters (chapter 3 and chapter 4) shall examine the two objectives stated above. The second chapter explains in detail the theory and essential literature to support the objectives.

In Chapter 3, we attempt to use the available statistics to examine the relative status of an opium cultivator in nineteenth century Bihar. This is done to put in perspective the literature that has portrayed cultivators of commercial crops as necessarily having faced severe constraints during the process. In Chapter 4, we take up the specific case of a particular group of cultivators and try to develop some possibilities on the socio-economic conditions of different groups of cultivators under commercialization. This is done by taking some aspects like cost structure of producing opium etc from the existing literature. We develop certain broad assumptions that challenge generalizations that commercial crop cultivators during the nineteenth century were necessarily a vulnerable and suppressed category who had much to lose during the process.

Chapter 2

Theory and Literature

"History is Theory"

Wallerstein (1991: 174)

2.1 Introduction

This chapter attempts to develop a theory to understand transition in the context of the growth and demise of opium cultivation in nineteenth century Bihar. One route through which transition could possibly have been initiated in the colonies was through the impact of colonial trade on its internal agrarian structure. It then becomes essential to understand the agrarian structure of the colony to analyse the nature of impact of colonial trade. The agrarian structure can be broadly defined as the socio-economic relations that shaped the organization of agricultural production. The core theme of our theoretical enquiry in this chapter would be to understand the crucial variables in the agrarian structure of Bihar that changed with the growing colonial trade in opium. We proceed by examining some theories that can highlight the importance of these variables.

2.2 Colonization and Incorporation of India into the Capitalist World-Economy

2.2.1. World-systems Framework

The world-systems framework as developed by Immanuel Wallerstein has tried to understand the effects of capitalist penetration on the development process of non-capitalist economies. Wallerstein sees the world-system as:

“...a social-system, one that has boundaries, structures, member groups, rules of legitimation, and coherence. Its life is made up of conflicting forces which hold it together by tension, and tear it apart as each group seek eternally to remould to its advantage. It has characteristics of an organism, in that it has a life-span over which its characteristics change in some respect and remains same in others. One can define its structures as being at different times strong or weak in terms of the internal logic of its functioning”. (Wallerstein, 1974: 347)

The world-system operates on extensive division of labour both functional and geographical. World-economies are a variety of the world-system, characterized by certain advantageous areas called core states (with a strong state machinery, national culture etc serving “both as a mechanism to protect disparities that have arisen within the world-system, and as an ideological mask and justification for the maintenance of these disparities”) and peripheral areas (with a weak indigenous state) and semiperipheral areas (between the core and the periphery in terms of a series of dimensions that characterize them) (Wallerstein, 1974: 349). The semiperipheries serve to “deflect the political pressures which groups primarily located in peripheral areas might otherwise direct against core-states and the groups which operate within and through their state machineries” (Wallerstein, 1974, 350). There is a “maldistribution” of occupational skills across the world-economy with those “requiring greater capitalization” being “reserved for higher-ranking areas” (Wallerstein, 1974, 350). While on the one hand, the socio-economic gap widens between the core and periphery, technological advances tends to mask the disparities by widening the boundaries of the world-economy. The structure of the world-economy can hence continuously change with time (Wallerstein, 1974, 350). The world-system framework is important to understand the reason for the initial change in the production process in agriculture in colonial India.

‘Incorporating’ a colony into the capitalist ‘world-economy’ was a direct consequence of the needs of the world-economy.²⁰ The Indian subcontinent incorporated into the capitalist world-economy saw major changes in its agrarian structure following the introduction of “a new pattern of exports and imports”; the “creation of larger economic enterprises”; and “significant increase in the coercion of labour force” (Wallerstein, 1989: 137). Of particular significance is the new pattern of exports and imports that emerged in the Indian subcontinent since the mid eighteenth

²⁰ Wallerstein (1974: 348) defines a world-economy as one where a single political system does not exist over the entirety of its space. The economic losses are absorbed mostly by the scattered political entities while the economic gains get concentrated on a few private hands under a capitalist world-economy. This is facilitated by the fact that the economic factors operate in a larger arena than any political forces could control. “Incorporation means that at least some significant production processes in a given geographical location become integral to various of the commodity chains that constitute the ongoing division of labor of the capitalist world-economy. A production process is integrated thus only if it responds to the ever changing market conditions of the world-economy in terms of those who control these production processes to maximize the accumulation of capital within these market in the short or middle run.” Wallerstein (1989: 130)

century. In Wallerstein's (1989: 138) words this new trading pattern "replicated the core peripheral dichotomy that constituted the axial division of labour in the capitalist world-economy" i.e. "raw material exports from peripheral zones" and changed the productive process through a "change in production to cash crops and the decrease in manufactures".²¹ This peripheralization "implied that these specialized zones- producing cotton, indigo, opium, sugar, and later tea, coffee, and other crops of lesser importance- were dependent on the core for the marketing of their produce and for the procurement of necessities. These structural transformations in the processes and immediate relations of production undermined and atomized pre-existing loyalties, identities, and belief-systems..." (Palat et.al., 1986: 192).

The result of the incorporation was more visible in the decline of self-sufficiency not only at the regional level but also at the India-wide level. Wallerstein (1986: PE 30) says that this is the result of "social division of labour of the capitalist world-economy, wherein self sufficiency was (and is) to be found essentially only at the level of the whole system". The success of the system depended more on what the periphery exports at the beginning than on what it imports. He notes that in the case of India's incorporation into the world-economy, cash cropping (for international trade) was more important than any initial deindustrialization. Trade was hence a prime mover of the system.²² Four major cash crops (indigo, raw silk, raw cotton and opium) facilitated this incorporation constituting sixty percent of India's exports. These exports were divided between Britain and China. The expansion of production simultaneously occurred alongside increasing coercion imposed on the direct producer through demand for efficiency, hard work and quality (Wallerstein: 1986, PE30).

²¹ Wallerstein (1989: 140) notes that "only the expansion of opium production had no direct link with shift in production elsewhere in the world-economy but was rather a function of the Company's needs in the China trade".

²² Note that this trade has been defined at other instances as "characterized by the presence of a few firms with privileged access to information and contacts and a large number of interlopers and speculators trying to take advantage of periods of brisk demand" Roy (2004: 298)

2.2.2 Mode of Production and the World-Systems

The world-systems show that colonial trade affected the agrarian structure of the periphery by introducing crucial changes to the production process. It paints with broad strokes the routes through which such changes can occur.²³ However, it fails to show the process of impact as taking place through the socio-economic infrastructure of the colonies. **To understand the process of impact we need to elaborate on a different set of theoretical reasoning combining the Marxian analytical tool of mode of production with some key variables that are relevant to understand the agrarian relations in India.**

The social division of labour across the world-system was possible mainly due to the low cost of labour at the periphery, which in turn was a result of the surplus labour in these regions.²⁴ Maintenance of labour supply at a low cost “requires the preservation of pre-capitalist structures that absorb a substantial share of the cost of reproduction of labour force” which “involves absorption of the redundant workers and raising a new generation at no cost to the capitalist sector” (Portes, 1981: 11-12).

Pre-capitalist structures (systems) have been variously defined based on standards set by Marx in defining a capitalist structure (system). The primary unit of analysis for Marx which characterized a capitalist system was its particular ‘mode of production’.²⁵ This unit was adopted

²³ The world-systems not only provided an explanation to the need to change the production processes in the periphery under a colonial framework but also enlarged our understanding of development by accounting for both the European as well as the local experience. Development was now seen as embedded in the structure of the world-economy and having consequences for both the advanced and the backward countries” (Portes, 1981: 3). As Portes (1981: 6) says, “the world-economy required exchanges between different modes of production”.

²⁴ This statement does not do complete justice to explaining opium cultivation in Bihar, although it is applicable to those products whose production in the periphery was a direct result of a change in production somewhere else in the world-economy. As noted by Wallerstein, opium was probably the only commodity whose production was independent of production changes elsewhere.

²⁵ This unit itself has been a source of controversy. In Marxian terminology, a mode of production is the combination of productive forces and relations of production. Production begins with productive forces which at a particular state of development come into conflict with the production relations, necessitating changes in the latter. A change in the production relations institute changes in the economic basis of the society. “The change in the mode of production comes about not through peoples volition, but by virtue of the correspondence between the productive relations to the character and level of development of the productive forces. Due to this, the development of society takes the form of the natural historical change

by Marxist scholars to construct pre-capitalist systems. These pre-capitalist systems were variously termed Asiatic, feudal, semi-feudal, colonial and so on. Whatever the name assigned, the pre-capitalist structure, was understood as being 'primitive'; "inflexibility, inertia and slow motion" were its "characteristics...alongside trends that were characteristic of modern growth" Braudel (1977: 5).

2.2.3 The World-System and its Influence on the Pre-capitalist Mode of Production

The impact of colonial trade on the agrarian structure of the colony can be understood in terms of the changes necessitated in the pre-capitalist mode when it was incorporated into the world-system. In the following section we review the literature on these themes to whet out the crucial issues that were discussed and debated.

Theoretical Literature on Transition

Various studies have tried to understand the process by which a pre-capitalist mode develops into a capitalist mode.²⁶ Such studies have been put under the broad title of 'transition debates'. The mode of production debate in India was in fact a spill-over of this transition debates.²⁷ The transition debate tried to understand the process through which Europe moved from a feudal

of socio-economic formations". (Refer: <http://www.marxists.org/glossary/terms/m/o.htm>, Accessed on 2/01/2012). Productive forces refer to "the unity of means of production and labour" and relations of production means "objective material relations that exist in any society independently of human consciousness, formed between all people in the process of social production, exchange, and distribution of material wealth" (Refer: <http://www.marxists.org/glossary/terms/p/r.htm#productive-forces> and <http://www.marxists.org/glossary/terms/r/e.htm#relations-production>, Accessed on 2/01/2012). These initial definitions have been variously interpreted by Marxists academics in the course of time (Refer in the later parts of this thesis definitions by Dobb (1972) and Hindess and Hirst (1975).

²⁶ Refer for instance Wallerstein (1976) for early instances of studies by Adam Smith, Werner Sombart, Karl Marx and Max Weber who have variously interpreted the causes for the rise of capitalism. While Smith considered capitalism as natural, Sombart judged it to be unnatural (neither good nor bad). For Marx, transition from one mode to another meant the culmination of contradictions inherent in that mode. Weber saw in the rise of capitalism a particular conjuncture of technology, political framework and religious tradition that led to the rise of protective institutions favoring entrepreneurs.

²⁷ For a detailed sketch on this debate refer Patnaik (ed.) (1990), Bhaduri (1973a) and Alavi, et al. (1982). A summary of these debates is provided in Thorner (1982). The mode of production debate was initially rooted in empirical understanding of agrarian transition (Patnaik ed., 1990: 38-56) in particular regions of India, but at a later stage became increasingly dependent on clarifying theoretical issues in applying Marxian concepts to the Indian context (Refer Chattopadhyay (1972), Banaji (1975), Patnaik (1990 d), 62-71).

system to a capitalist system. The earliest of the arguments was between Paul Sweezy and Maurice Dobb following the publication of Dobb's *Studies in the Development of Capitalism* in 1946. Dobb outlined the path of transition of Europe from feudal to capitalistic mode of production pointing out that internal qualitative change (like workers being separated from the means of production, productivity increase, innovation etc) that extracted relative surplus, caused transition between modes of production. He argued that "trade and specialization was facilitated by the transition; they did not cause it" (Denemark and Thomas, 1988: 49-50).²⁸ Sweezy on the other hand emphasized the role of trade in transition and the development of urban centres, which "led to the slow commutation of labour services to money rent and eventually to the use of capitalist tenants on land" (Denemark and Thomas, 1988: 49). The debate between Robert Brenner and Immanuel Wallerstein took cue from the Sweezy-Dobb controversy. While Wallerstein maintained a wider system level analysis, Brenner resorted to the nation as his unit of analysis. Trade was hence not a necessary condition in Brenner's case.²⁹

A systematic general theory to explain transition was developed by Hicks (1969), where he emphasized the prominence of the market, and the rise of exchange economy and trade as decisive in the process. According to Hicks transition meant a break on the customary/command

²⁸ Dobb (1972) used 'mode of production' as an analytical unit to examine transitions and noted that trade (general or specific) might in itself not indicate movement away from a feudal society. Such a transition happens only "when capital penetrates production on a considerable scale" (Dobb, 1972: 17-18). Political, social transformations; industrial revolution and disintegration of feudalism are the three decisive movements in the development of capitalism. He says that "changes in the character of production and in social relations that hinge upon it, have generally exerted a more profound and potent influence upon the society than changes in trade relations per se" Dobb (1972: 26). Trade and market in turn influences production. Dobb (1972: 42) quotes Marx and states that "the "dissolving influence" that commerce will have upon the old order depends upon the character of this system, "its solidity and internal articulation", and in particular, "what new modes of production will take the place of the old does not depend on commerce but on the character of the old mode of production". Further he notes that the nature of transformations in any system depends not only on accumulation of surplus through trade but also on the effect of this on the internal relationships of the dominant mode of production which forces a system to disintegrate or survive.

²⁹ Heller (1985: 208-209) examines and provides a review of the various debates on transitions. The tendency of the earlier works was to differentiate between what he calls the "internal movers" (to add value to the social relations of production) and the "external movers" (to explain the insufficiency of social relations of production). Among the proponents of the internal movers, Heller identifies the hard theorist (Bois and Dobb) who considered the primacy of socio economic factors and the soft theorist (Brenner and Anderson) who considered political and cultural factors alongside the socio economic.

structure (like the feudal system) and the movement to an institutional structure having at its apex the city state. A transformation from a customary/command structure is initiated by not only the contradictions within the system (erosion of revenue collecting powers of the lords) but also through specializations in trade.³⁰ This specialization demands reduced cost and risk to the mercantile economy, which in turn necessitates the formation of specialized institutions. Hicks noted that city states grow by mercantile reinvestment and families of city states grow by colonization. The growth process occurs through diversification and economies of scale. The caveat to any continuous expansion lies in the diminishing returns necessitating “constant improvement in organization...to offset tendencies of profit rates to fall”. This is the point where the roots of development from a customary/command structure to a mercantile economy has reached its ‘middle phase’, where the development of a city state with financial and monetary development, legal institutions etc exist and tax revenue collection has been institutionalized (Hicks, 1969: 61-76).

Some Caveats in the Theoretical Literature

1. Transition literature mostly failed to consider the impact of colonial trade on the colonies which was generally exploitative. It was only in the Hicksian theory that colonization is addressed as an important factor in transition. However, even in this theory, the colonized were considered crucial to serve the process of transition in the colonizer states. Transition of the colonies finds no mention here. Theories that outlined Europe’s transition experiences hence become inapplicable to colonies like India.³¹
2. Use of trade alone or internal qualitative changes alone does not provide a complete story of transition. The use of individual factors have been criticised by participants in both camps of the debate. The transition literature failed to show how both these camps could be linked to get a better picture.

³⁰ Hicks terms this as a situation where middlemen change their base of operation to the market place, a transformation from “petit commerce to grand trade” (Hicks, 1969: 27-29)

³¹ Even in the European context, trade was differently explained in its effects on feudalism. Bagchi (1982: 6) notes that at one end long distance trade was seen to facilitate growth of money economy (Henri Pirenne), at the other end its effect was seen as strengthening the lords (Marc Bloch, Marx)

3. Another problem with these studies was again its Eurocentrism. Most of the concepts were defined in terms of the European experience. Adaptation of these concepts to different geographical entities became difficult.³²
4. The coexistence of different modes of production was also to be recognized. Coexistence of various modes of production has been generally termed as a social formation. Amin (1976: 16-17) describes societies in history as ““formations” that on the one hand combine modes of production and on the other organize relations between local society and other societies, expressed in the existence of long distance trade”.³³
5. Critics of modernity have also raised such intellectual concerns as, standing within the “mode of production” question, is it still possible to understand an objective existence of the peasants outside the sphere of “modernity” (in the sense of “Europe as a habitus of the modern” (Chakrabarty, 2001: 40))?³⁴

³²These analyses were based on European experience where each of the specific modes (say the feudal or the capitalist) had a genealogy rooted in the historical specificities of Europe. The criticism is based on the argument that the stages of evolution of an economy (particularly the UK) need not be applicable to rest of the world. This includes the adoption of terms like feudalism to fit a particular stage in the development of India which can be alternatively defined. A more ideologically oriented view questions the very relevance of using Eurocentric terms to the Indian experiences (Rudra (1999: 318-344) in Mukhia (ed) (1999)). However, these critics do not question the notion of mode of production on theoretical or empirical premises. What is suggested is that it could at best be refrained from use, but not on the whole need to be discarded. Also refer Habib (2009) for an account of the early works of D.D Kosambi and R.S Sharma which marks the introduction of Marxist method and empirical justification of the use of these terms in India.

³³ Amin (1976) says that a pre-capitalist society marked by three features can be grouped under a similar social formation. These features are Predominance of a communal or tribute paying mode of production; Existence of simple commodity relations in limited sphere; Existence of long distance trade relations.

³⁴ British conquest of India was the starting point of a “transition narrative” in the Indian context, which was understood in terms of the existing conditions as “a lack, an absence, or an incompleteness, that translates into inadequacies” (Chakrabarty, 2001: 32). The transition, that Chakrabarty says, was required from a despotic state to a modern state or from a feudal to a capitalist state. The process of transition was underpinned by a set of institutions and guided by the modern state; to see transition necessarily implied thinking in “terms of these institutions” (Chakrabarty, 2001: 34). Indian history, even in the most dedicated socialist or nationalist hands, remain a mimicry of a certain “modern” subject of “European” history and is bound to represent a sad figure of lack and failure. The “transition” narrative will always remain “grievously incomplete” (Chakrabarty, 2001: 40).

Literature on Transition in the Indian Context - Mode of Production in Indian Agriculture

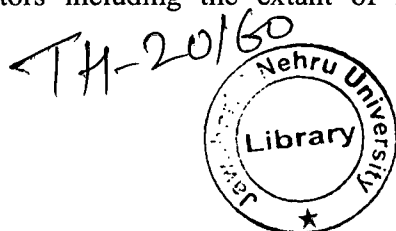
India is a predominantly agrarian economy. The studies on transition in India hence focussed on transition in the agriculture. The mode of production debate in India originated during the 1960s and had its major purpose to understand the nature of Indian agriculture. The question that sought an answer was: has Indian agriculture transitioned itself from a pre-capitalistic mode to a capitalist mode. Thorner summarizes the debate as trying to analyse four broad questions (Thorner, 1982: 1962):

1. Is the dominant form of production relations in agriculture capitalist or semi-feudal?
2. What are the salient features of semi-feudal relations?
3. Are they a break on the productive forces?
4. Do they resist change?

The mode of production debate tried to identify definite qualitative breaks in agriculture between the colonial past and post-colonial India. Few authors claimed a definite break exhibited by a better performance in agriculture post independence (Patnaik (ed.), 1990: 2-3). They considered the colonial revenue cum rent exploitation and the role of capital in its antediluvian form as strictly regressive for Indian agriculture. They argued that the process of agricultural commercialization by the British could do nothing more than displace domestic consumption instead of expanding the commodity economy. British rule was hence recognized as perpetuating underdevelopment of the Indian economy. Coercion of the cultivators was a significant aspect in this characterization of the British rule. The increase in 'exportables' and the forced nature of agricultural commercialization formed the foundations to contextualize colonial exploitation (Patnaik (ed.), 1990 : 5-6).

Patnaik identifies three phases in the mode of production debate: The first started with understanding the nature of capitalist development in post-colonial India; the second was an attempt to generalize the effects of mode of production under an encompassing title; and the third involved discussions on the class character of agriculture. The literature on this is extensive. Selected works have been reviewed here.

To define capitalist agriculture in post-colonial India, S. C. Gupta, G. G. Kotovsky and Daniel Thorner used indicators including the extant of hired labourers used in cultivation, new



technology used, investments, extending land on rent etc.³⁵ The debate took a severe turn with Ashok Rudra's redefining capitalist farmers to account not only for the use of hired labour but also his use of farm machinery, his ability to market products, organize production to yield high investments and to cultivate land himself than leasing it out (Rudra et.al, 1990: 27). In attempting to critique Rudra, Utsa Patnaik not only generated a renewed interest in the colonial and pre-colonial situations but also argued that wage labour need not necessarily imply capitalist relations in agriculture. British India had seen a rapid increase in the number of agricultural labourers pauperized and proletarianized and hence an increasing number of wage labourers in agriculture, which marked the first phase of breaking the pre-capitalist relations (Patnaik, 1990a: 40-41). So the presence of wage-labour (as Rudra defined) alone does not indicate capitalist development. She argued that accumulation and reinvestment of surplus value generated by wage-labour (or capital intensification) on an ever expanding scale was an essential feature which ought to be considered (Patnaik, 1990a: 44). Orissa, Andhra Pradesh, Madras, Gujarat and Punjab were some of the states studied.³⁶

To understand the post-colonial agrarian structure, Amit Bhaduri (1973a) suggested defining it as semi-feudal (with sharecropping, perpetual indebtedness of the tenants, concentration of two modes of exploitation-usury and land ownership, and lack of accessibility to the market for small tenants as characteristics of a semi-feudal agrarian structure). Prasad (1979) confirmed the existence of semi-feudal agriculture for selected regions of Bihar. Further research was done by Utsa Patnaik to define pre-capitalist relations taking into account the class character of agriculture.³⁷

³⁵ Gupta showed that the proportion of wage-labourers to total labourers increased with the increase in farm size. Farms above twenty acres were shown as employing more hired labourers in the total number of labourers. His calculations hence showed that one third of the land and capital employed in Indian agriculture were capitalist in nature (Chattopadhyay, 1990: 98-106).

³⁶ Patnaik's study pointed to the fact that historical factors determine the pace of capitalist development. She stated that "the land settlement and legal system introduced by the British rule cannot be viewed as an organic evolution out of the pre-existing production relations". (Patnaik, 1990b: 86)

³⁷ Discussion on agrarian class formation was a crucial phase in the debate on mode of production. See for example the selected works on the problem of class formation in Patnaik (ed.), (1990). Prasad (1990: 227) calls the rural poor, the semi proletariat (households that cultivate using family labour as well as supply labour to other cultivating class) in agriculture. Pradhan sees a semi-feudal bond between the semi proletariat and his overlord (which leads to loss of land of the semi proletariat) and considers this as one

As the debate progressed, it became necessary to account for caste. The need was evident as caste was perceived to play a major role in determining the structure of agricultural production in rural India. The role of caste allegiances that transcended class differences was raised by Joan Mencher (1978).³⁸ Sharat G. Lin condensed these findings to conclude that there was not only a capitalist mode but that it existed side by side a pre-capitalist mode in post-colonial India (Thorner, 1982). In an extension to the mode of production debate, the redistribution of power within social formations was discussed by Dipankar Gupta and Aparajita Chakraborty (Thorner, 1982). Paresh Chattopadhyay contributed to the theory by redefining capitalist production in terms of generalized commodity production, where labour power itself becomes a commodity generating surplus value and reinvesting it. At relatively low stages of capitalist development this need not be perceived by a superficial observer. Patnaik contested this claim saying that even prolonged commodity production may be insufficient to transform the old mode of production to a capitalist mode (Thorner (1982); Patnaik (ed.) (1990).

Parallel to the Mode of Production debate, there existed a separate set of literature which examined the structure of Indian agriculture, understanding its potentialities to transition. Some of these were inspired from the wider debate. These works ranged across studies to connect backward agriculture with development by counting the number of unregistered tenants (Bhaduri, 1973b), comparing across states to identify the cause of backwardness in the structure of rural households (Chada G.K. and Khurana M.R (1989)), to examining agrarian policies in pre independence period (Joshi, P.C (1967)). Some studies also attempted to historically examine specific processes through which land was brought under cultivation and to chart points in

serious factor affecting development. Patnaik (1990c: 200) tries to develop indices for labour exploitation to understand the class differentiation among the peasantry. These debates on the origin of classes tried to establish links between resource ownership and class on the one hand, and social relations and class on the other. The theoretical frame work behind these approaches (origin of classes in agriculture based on market participation as an analytical unit) is summarized in Adnan (1985). Also refer Ghosh and Dutt (1977), who examines the transition of agriculture in Bengal for approximately 200 years starting 1793 using the emergence of specific classes.

³⁸ Mencher's study of Chingalepet district (Tamil Nadu) tried to understand the role of social structure of in accelerating changes, considering the distribution of power among different groups (and conflict) in the society.

history when land use significantly changed (Richards et.al (1985)³⁹ (Sinha, 1968) (Cohn, 1987).⁴⁰ While some authors saw semi-feudal institutions as a drag on land productivity (Prasad, 1989) others found the failure of land reforms as contributing to the same (Bharti, 1992). The existing structures were also traced to specific historical context (like the permanent settlement system of 1793, rigidities faced by tenantry in land transfers, caste etc) in studies by Mitra (1985), Wadhwa (1981), Prasad (1979) and Barik (2006). There were also attempts to theorize contradictions in the social system. Michie (1981: 21) examined reasons for incompatibility of the patron client system with new circumstances created by comparative politics and commercial economy. Patnaik (1973) described the role of primary accumulation by the colonial powers in destroying pre-capitalist modes in the colonies. The recreated social formations tended to widen the divide between capitalism of the colonies and capitalism of the colonial powers.

Some Caveats in the Mode of Production Analysis

1. The mode of production analysis deals with the 'economic' as the decisive instrument in change while accounting less for the non-economic factors and institutions (Sanyal, 2007). Socio-cultural and political processes also played a crucial role in transition.
2. Limitations of Marxian methods have also been raised by academicians like Mukhia. Mukhia opined that Marx's analysis in *Capital* was restricted to the development of capitalism as a historical mode of production. The nature of pre-capitalist societies was not a major concern in this analysis. His views on pre-capitalist societies were clearly formulated in *Grundrisse* which was published much later. Hence, during the period between the publishing of *Capital* and *Grundrisse*, it was necessary to construct a pre-capitalist mode of production with non economic coercion as an antithesis to the economic coercion in the capitalist framework (Mukhia, ed. 1999: 11).
3. Much of the literature that emerged on the mode of production in Indian agriculture tried to clarify the authors' stands on definitional issues. The use of feudalism as the pre-

³⁹ The centrality of these selected studies for our work lies in the fact that they examined different routes to arrive at the problem of backward agriculture in Bihar.

⁴⁰ Cohn (1987) discusses the structural change in selected villages of erstwhile Uttar Pradesh as a result of new land policies and land control under the British. This not only dispossessed former landlords affecting their dependents (caste and class groups), but also promoted the entry of "new men" (predominantly urban, merchant money lending groups) to invest in land and thereby to find alternatives in resisting the control of former lords.

capitalist formation in India suffered major brunt. Its validity as a universal system was thoroughly criticized (Mukhia, 1999).

4. The perception of capital in an economic sense rather than in a social sense underlined the research in examining transition in the Indian context.
5. Extending the transition debate based on the European experience to India was also criticised for all its limitations (which we discussed earlier).

Significance of the Transition/Mode of Production debates

1. One significant aspect of these studies was the increasing emphasis to theoretically understand change in the society (economy). 'Change' was objectified and transition became a dominant theme. A vertical role of ascendancy towards capitalism (understood as a world-system) was perceived as a superior route. Although the variables used to explain transition were mostly insufficient, they still sufficed as standard yardsticks for measuring movement from a pre-capitalist system to a capitalist system. The result of this was a proliferation of literature crossing disciplinary boundaries to understand and redefine the boundaries of mode of production debate.
2. The mode of production debate explored possibilities of integrating Indian specificities in the social organization of labour (e.g. caste) to the wider debate. This in itself is crucial to understand the ethnological preoccupations of the colonial regime during the second half of the nineteenth century.
3. The most significant contribution of the debate on mode of production which shall enrich our present study is that it attempted to understand transition of an economy from a pre-capitalist to a capitalist stage in terms of loosening up of initial "relations of production and forms of exploitation" (Thorner, 1982: 2063). The mode of production debate was open ended in most of its analysis to accommodate the nuances and complexities posed in studying various regions of India. The debate thus becomes a fecund ground for refurbishing the idea transition. We have attempted to do the same while engaging with our second objective.

2.3 Developing a Theory for the Colonial Experience: Commercialization and the Existence of a Pre-Capitalist Mode in Agriculture

Incorporating the Indian subcontinent into the world-economy led to increase in export agriculture. The social relations of production in agriculture adapted to this incorporation. Transition to a capitalist system would require dissolution of the pre-existing system.⁴¹ In the European context itself, Wallerstein (1974) examines three major routes which led to the dissolution of the feudal system.⁴² Trade and the feudal system were not mutually exclusive as we have noted earlier. In the colonial era, the transition from a feudal to a capitalist system in the core states was necessitated by certain inherent demands to complete the dissolution of the pre-capitalist system.⁴³ These were in fact learning experiences for the colonial powers to undertake similar processes in the colonies. It is unlikely that the British was aware of any such inherent demands in India, nor would it be the case that they were familiar with the trends, technology, climate or possible diminishing returns that urgently called for dissolution of the existing system. The only possibility is that there was a growing urgency for the colonizers to extract revenue.

While such factors as trade, development of markets, creation of a labour class, commodity production on an expanded scale and so on were noted as agents that could facilitate transition, it was also understood that surplus could initially arise only from agriculture, and only by revolutionizing agricultural production through the creation of the so called "gentlemen

⁴¹ In Europe (and especially in northwest Europe), feudalism was the most dominant pre-capitalist system. Transition from a feudal to a capitalist system need not have proceeded through a single route.

⁴² It could have been the "product of a cyclical trend" when the "optimal point of expansion given the technology was reached"; or it could have been the "product of a secular trend", when "after a thousand years of appropriation of surplus under feudalism, a point of diminishing returns had reached" and with a stable productivity and very low/no technological advance, the "burden on the producer of surplus" was "increasing due to growing size and expenditure on the ruling class"; or it could be the result of "climatological factors, soil productivity and epidemics" or as Wallerstein notes a "conjecture of the three" Wallerstein (1974: 37).

⁴³ As noted by Wallerstein (1974; 21-26), various exponents have put forward theories to explain such a demand: a need to expand land area and population base (by R. H. Hilton), cash flow elements and crisis (by Edouard Perroy) or due to such processes as the "enclosures", which permanently created a class of free labour that could be exacted to the growth of industries. Transition of the economy in Europe was perceived as a positive change which could be emulated elsewhere.

farmers”.⁴⁴ A “new pattern in exports and imports” or the “significant increase in coercion of labour” resulted by modifying the existing relations on land and administrative structure (Wallerstein, 1989: 137). Incorporating the colonies into the world-system had to be paralleled with structural changes in the colonies. Commercialization of agriculture thus becomes a historical vantage point from which transition of an economy to a new stage could be initiated in colonies. **This route as is popularly understood did not materialize in nineteenth century India. We shall discuss below the theoretical possibilities of ‘the commercialization route’ to bring about transition, and later in the work examine how transition could occur even when commercialization need not necessarily alter a pre-capitalist system. In this case we use a narrow definition of transition where instead of considering the agrarian structure in its totality we study a specific group of cultivators who moved from a socio-economically disadvantaged state to advantaged state. The existences of such population groups have inevitable long run effects on the agrarian structure.**

2.3.1 Agrarian Commercialization: The Route Taken by a Non-Colonized Economy

Lenin (1960) provides a theoretical framework from which we could examine the effects of commercialization in agriculture on the internal organization of production in a non-colonized environment. Transition, even at highest stages of generalization (say by defining transition from a natural economy to a commodity economy⁴⁵) would still have to imbibe country and regional experiences in defining the constituent social-political and economic relations.

Lenin (1960: 67-69) examines the process of development of a “home market (development of commodity production and capitalism) as requiring the following:

1. The social division of labour, the end result of which is the separation of essentially agricultural processes to industrial processes, “agriculture itself becoming industry” specializing and producing commodities (Lenin, 1960: 67).
2. Population growth and diversion of population from agriculture to industry.

⁴⁴ We have borrowed this phrase from Thorner (1969).

⁴⁵ Lenin (1960: 37-38) defines a natural economy as a homogenous economic unit (with patriarchal peasant families, primitive village communities, feudal manors etc.) and a commodity economy as heterogeneous unit (where performing one and the same function diminishes).

3. Separation of producers from means of production, which implies a transition from simple commodity production to capitalist production. This follows a stage in which the means of production itself is commoditized (has to be brought from the market) along with the products produced by it. Wages of workers become part of the variable capital of the producers when they spend it on articles of consumption in the home market. (Lenin, 1960: 67-68)

Such a commoditization process nullifies relations of production in a capitalist society, converting "social relations of men as relations of products" (Lenin, 1960: 56).⁴⁶ Trade provides the means to expand commodity circulation (Lenin, 1960: 65).

"Agriculture itself becoming industry" involves the development of commercial agriculture (production for market) and the development of capitalist farming (when commercial area exceeds family labour norms and when farmers are compelled to hire workers and poor peasants in the process of cultivation) Lenin (1960: 70-71). Converting the products of commercial farming, as well as the labour power of the hired workers into a commodity, characterizes capitalist production. In such a "peasant bourgeoisie" we see a combination of merchant capital and industrial capital (Lenin, 1960: 79). However, an old mode of production dissolves depending on its own characteristics and not on the development of commerce.

"Merchant and usurers capital precedes industrial capital-and is logically necessary for its formation-...but...neither represents a sufficient premise for the development of industrial capital (i.e. capitalist production:...they do not always break up the old mode of production and replace it by the capitalist mode of production...the formation of which entirely depends on the stage of historical development and the attendant circumstances" (Lenin, 1960: 183-184).

A change of this magnitude involves the dissolution of the natural economy and the social relations accompanying it - the dissolution of the same customary/command structure mentioned by Hicks. Lenin terms the process "depeasantization" which differentiates the peasantry into a "rural bourgeoisie" and "rural proletariat" (Lenin, 1960: 173-174). We see in Lenin's

⁴⁶ Lenin quotes Marx to define the capitalist mode of production as a "historical means of developing the material forces of production and creating an appropriate world market" (Lenin, 1960: 57).

explanation that commercial agriculture sets the framework for the development of capitalist farming. These are preconditions for the transition to a capitalist mode, although it does not ensure any such transition. The “stage of historical development and the attendant circumstances” play a more crucial role (Lenin, 1960: 184).

2.3.2 Commercialization in a Colonial State

There are two major differences when commercialization is imposed on an economy (colony).

1. The scale of commercialization will be such that it is unwarranted to maintain self-sufficiency of the colony. As mentioned earlier, it is the self sufficiency of the world-economy that matters. Hence commercialization becomes a one way movement of capital to enrich the core, through a continuous reorganization of the periphery.

2. The effects of commercialization become hard to predict. This is mainly because of the use of policies and institutions to impose commercialization. Although the primary effect of the policy/institution would be to promote commercialization through reorganizing production, there can be different outcomes due to ‘rigidities’. Two broad outcomes of policy rigidities are given below.

- Increased rent due to policy rigidities resulting in conflicts between the landlord and the producers leading to a transition in the social structure in agriculture (Emphasizes class conflict as a determinant, which in turn depend on the power of the respective classes, mostly defined in terms of economic power).

- Rigidities that prevent any advance in the forces of production (“which is new technology, new means by which labour is organized, and the economic success of new social classes”) (Hilton, 1987: 6-7).⁴⁷

The pre-capitalist system could hence passively survive transition under such competing rigidities or could itself evolve under combinations of these rigidities in varying degree.

Policies and institutions of a colonial enterprise can enforce ‘rigidities’ to sustain a dominant mode of production. In the context of incorporation into the world-economy, such rigidities

⁴⁷ Hilton (1987) notes that the nature of such conflicts depend land-labour ratio (Shortage of tenants and overcrowding would have different outcomes) and on the demographic profile of the society.

ensure the survival of pre-capitalist modes. The rearranged production process in the colonies would now integrate it into the world-economy, leading to regional interdependency of the colony (the periphery) on the core and the loss of capital accumulation from the colonies by the creation of commodity chains⁴⁸. While considering the effect of this interdependency on the internal mode of production of the colonies we go beyond commodities to understand other influences including the financial, commercial, capital etc (Martin, 1994: 159).

2.4 A Note on the Role of Caste and Power in India

It is difficult to understand the Indian experience without acknowledging the role of caste and power as crucial variables in transition. *Our major contention is that while a dominant pre-capitalist mode of production was sustained through policies and rigidities by the British, they also provided enough space for a particular population group to transcend this dominant mode. We argue that the form of power-relation developed by the British agency system was at the same time ensuring both the perpetuation of the pre-capitalist mode as well as providing alternatives to overcome it. These alternatives were however restricted to population groups and did not favour all.* To understand this we provide a brief introduction to caste and power in this section.

Conceptualizing Caste in the Present Study

Frankel (1989: 53) says that “On the eve of British rule Bihar constituted a patch of Hindu kingdoms and Muslim principalities with administrative jurisdiction cutting across linguistic, caste and ethnic lines.....and earlier, the Mughal attitude towards Bihar was one of lazy neglect”. The class-caste relations got strengthened with the British policies in revenue administration. As noted by Frankel, the definite class and caste hierarchies strengthened with assigning land rights under the *zamindari* system. He notes the following:

“Virtually all great landlords among the Hindus were *Brahmans*, *Bhumihars* and *Rajputs*, although not all households among the upper caste held large estates. *Ahirs* or *Yadavs*, *Kurmis* and *Koeris* occupied the middle peasantry. Some of these people also worked as agricultural labourers in the absence of substantially large holdings. The untouchables

⁴⁸Linked production process traced backward from the final point of production and distribution (Martin, 1994: 158). Refer

(*Chamars, Musahars and Dosadhs*) performed field labour for which they were paid in kind". (Frankel, 1989: 53)

Although the British policies on land established hierarchies that allowed strengthening caste structures, the effective implementation of major land revenue systems like the Permanent settlement was constantly challenged by the local elites. The local rajas and *zamindars* was vested with unlimited powers and had to constantly depend on the British. This continued until 1857. Resistance increased and was often manifested in the form of riots post 1857. This led to greater privileges to the *zamindars*⁴⁹. The peasants often suffered as a consequence of such concentration of power. The *zamindars* adopted lifestyles of the upper caste. In the course of time (and especially towards the end of the nineteenth century) ritual status of the tenants dominated over other economic considerations (Frankel, 1989: 57-62). What we see is the slow emergence of caste rigidities in Bihar as a consequence primarily based proprietary rights on land.

Up until 1857, caste definitions were left to itself to classify hierarchies based on power relations. This coincided with the period when British attempts were mostly aimed at reorganization of the political economy. A systematic attempt to understand caste was not made by the British until the second half of the nineteenth century. During the second half of the nineteenth century, there were constant attempts by the British to organize and assess the Indian population specifically in ethnological grouping to avoid further uprisings as the one in 1857 (Dirks, 2003: 44).⁵⁰ The focus hence shifted from the 'political economy' of maximizing revenue collection to 'ethnological' preoccupations. This was followed by a strict regimen of documenting the life and traditions of the Indians where caste became an "organizing concept" questioning the rationality of caste and thereby legitimizing British rule (Craig, 2001: 218) (Bayly, 1999). As Dirks notes, there was thus a proliferation of material documents which was overwhelmed by references on caste.

⁴⁹ Frankel notes that Darbhanga and Muzzafarpur reaped the maximum benefits from such alliances. The Hathwa of Saran also enjoyed similar benefits. The case of Hathwa is detailed in Yang (1989).

⁵⁰ I have used references of Dalton, Risley, Watt and so on whose works at the end of the nineteenth century or early twentieth century has emphasized and provided specific information on the caste status of the opium cultivators.

Based on these facts we hence note the necessity to consider and elaborate the idea of caste to understand the internal organization of production in Bihar during the nineteenth century. If caste grew as a response to the reorganization of the political economy in response to policies on land, it is necessary to fit the evolution of caste into our theoretical framework.⁵¹ We have hence tried to understand caste as a “powerful social identity and a form of social and symbolic capital” (Craig, 2001: 218). In opium cultivation, we see that there were specific caste preferences for the practice by the administration.

Power and the System of Control

The form of power relations exercised by the British in persuading opium cultivators to remain in cultivation was crucial. While caste provided a logical starting point for exercising power, specific strategies were employed by the British to consolidate and apply power selectively on the population. Caste proved to be a valuable marker in such a consolidation. This was true of opium cultivation which grew concomitantly with the systematic colonial documentation of caste in the nineteenth century. Power relations may be defined and exercised in many ways. Scott (1985: 307) showed instances from Asia where “euphemization of economic power” was “necessary both where direct physical coercion is not possible and where the pure indirect domination of the capitalist market is not yet sufficient to ensure appropriation by itself”. Here a socially recognized form of domination substitutes actual coercion. Power is also often understood as arising from hierarchies and differences in the caste structure. Gupta (1991) shows that while hierarchy emphasises unity and continuity, we have to search for the medium of differences to understand conflicts within caste societies. Some researchers define power as related to both class and caste (Bandopadhyay and Von Eschen, 1991). In other works, as for example Beteille (1991), power relations are understood as arising from factors including ownership, western education, numerical strength, organizations, political associations and so on. He notes that accessibility plays a crucial role in pervasion of power (Beteille, 1991: 352).

We would like to go beyond objectifying power as conflict, agitation or mobilization that have the potential to lead to transition. The problem with such representations are that we have to imagine opposing figures to understand power, and mostly as one of these figures in an unsecure

⁵¹ This hypothesis of the interlinkage of caste and class in shaping the agrarian structure has been tested in the work of Sundari (1991).

and vulnerable position. This idea of power gives us the sense that it is always repressive and that there is no room for negotiation. We would follow the Foucauldian understanding where “more useful for power is to observe than to prohibit” (Kritzman, 1988: 102).

Power as an instrument of control, was not merely repressive in nature but had productive effects. We shall borrow the central themes followed in Foucault’s works (1967, 1979) with some inputs from Sanyal (2007). While Sanyal (2007) employs Foucault to understand the nature of power in the post-independence Indian economy, I contend that Foucault’s insight is valuable to the present study. Foucault’s works were largely concerned with understanding two things: What is power? How is power exercised? He further tries to understand what happens when someone exercises power over another (Kritzman, 1988: 102). This insight can be employed across disciplines and we attempt to do this to enrich the complexities of commercialization and to understand its nuances. These questions are important to understand the discourse of development in nineteenth century Bihar which created in literal and symbolic sense a “population” and a ‘language’ that was not explicitly spoken off but understood - the language of power with indefinite penetration and places of saturation (Foucault, 1979: 25-47). Power is defined in Foucault’s works “not a thing that is held and used by individuals or groups. Rather, it is both a complex flow and a set of relations between different groups and areas of society which changes with circumstances and time” (Danaher et.al, 2000, XIV).

While listing the factors that contributed to power relations, we highlight the changes brought about by the incorporation of India into the capitalist world-system and the demand to maintain a particular mode of production. This had its effects on all actors involved in the process of opium production and trade. However, when we consider the question of how power was exercised, we go into specificities of a particular group of people and the discourse of development that shaped their status.

2.5 Summarizing the Debates on a Theory on Transition through Commercialization

The present study aims to understand the dynamics of agrarian structure in opium producing areas of Bihar during the nineteenth century. We consider this from the perspective of the world-systems and the integration of the Indian subcontinent into the capitalist world-system. The preservation of the dominant mode of production in the periphery would be understood from the

standpoint of 'changes' and 'results' following the integration. 'Changes' are defined in terms of changes in the reorganization of production in the periphery, and 'results' in terms of the reorganization of the labour process (was it coercive, exploitative). Hence exploitation of the colonial state is shown in two of its dominant forms, 'surplus absorption' and 'labour control' through direct and indirect manipulations (Bagchi, 1991). Colonial control of opium production perhaps presents a unique case where both these forms coexisted. **As mentioned earlier, we shall show how the otherwise rigid system of social relations and production organizations were transcended over a period of time by the local population through the subtle balance of power doctrine followed by the British. This was the result of a new form of power which developed in the context of opium commercialization which favoured the rise of particular population groups even as it ensured the continuation of a pre-capitalist mode of production.**

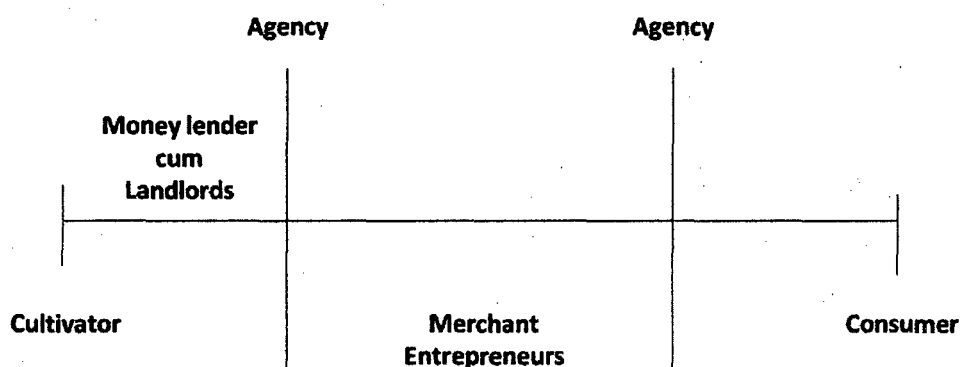
Chapter 3

Cultivators of Opium and Profit Generation

3.1 Introduction

The incorporation of the Indian subcontinent into the capitalist world-system through a shift in cultivation to export oriented opium had certain consequences. A distinct value chain emerged between the cultivators of opium and the final consumers. Two indigenous actors (other than the cultivator) who became essential players in this value chain were the merchant entrepreneur and the landlord/money lender⁵². This value chain in opium is represented in Figure 3.1.⁵³

Figure 3.1: Value Chain in Opium



⁵² There are certain limitations in grouping people into distinct groups based on occupational categories in India. One factor which Robb has emphasized is the presence of mixed occupation in Bihar at least during the period under study which makes the “role of merchants, money lenders, cultivators... often multiple, ambiguous or overlapping” (Robb, 2007: 126). This leads to a complex web of constraints operating from within the economy, than from outside especially through the role of intermediaries that in turn binds the choices of the peasantry. As Robb claims, it is indeed not possible to circumvent these complexities as a merchant in opium trade would have also been a moneylender. However, this is seen to have happened more in regions outside the control of the British. In the case of Bihar, and other regions in British India, the entire operation of trade and cultivation of opium was organized under an agency system. The agencies assigned specific roles to its participants and tried at best to organize the actors based on its requirements. We also argue that a strong social hierarchy existed in Bihar which at most instances would have prevented roles from overlapping.

⁵³ At one end of the value chain is the cultivator of opium and at the other end is the consumer. The customer is separated from the cultivator through a definite hierarchy of administrators, exporters and institutions (agencies), at the place of procurement and at the final markets. Sale of opium in most final markets was carried out clandestinely.

The value chain described above represented the basic framework under which the Bengal Opium Monopoly operated. Each of these actors generated profit as part of the value chain depending upon such factors as their relative positions in the chain, access to the market, particular organization of production (mode of production), and through 'some general and specific circumstance in the nineteenth century which served to catalyze internal and external trade' (Chaudhuri, 1970a: 26).⁵⁴ The merchant entrepreneurs had closest links with the market followed by the moneylender/landlords while the cultivators had the least access.

The present chapter is intended to understand profits generated by the indigenous actors in the opium value chain taking into account the complex nature of external influences. We examine the stability of the value chain and in particular how the different indigenous actors performed as part of the chain. This performance was balanced with a 'desired state' as defined by the British opium agencies. We show that the desired state was not independent of external influences and faced stiff competition from Malwa.⁵⁵ In addition commercialization was not a smooth process in Bengal. It involved complexities and undercurrents which restricted the choices available to the actors involved.⁵⁶ The efforts of the British to ease these complexities often resulted in policies that worsened existing conditions of particular actors, favouring others. The chapter shall look in

⁵⁴ These circumstances also influenced the conditions of production. The introduction and growth of transport and communication facilities since 1853 is one such point from which there resulted many intended as well as unintended results for India. Hence profits created in nineteenth century India were sometimes the result of intended policies and sometimes the unintended consequences of policies adopted by the British.

⁵⁵ Malwa opium was chiefly produced in Central India and parts of Rajputana and was under the administrative control of the native princely states and hence remained relatively insulated from the policies of the Bengal opium agency. This continued until the end of the third Anglo Maratha war in 1818. However, even after the war, the native states enjoyed making administrative decisions for a very long time. The policies of the British to influence production of opium in Malwa were not always successful (Chowdhury, 1964). For a discussion of the characteristics of production, the process of distribution of the produce to exporters, transit rates etc of Malwa opium refer Watt (1972: 94-97).

⁵⁶ Robb describes commercial agriculture in nineteenth century Bihar in the following manner:

"The agriculture of commerce was far from commercial, yet the peasant farm was not an autonomous unit of production and decision making.....we discover mutual or intrinsic and superordinate controls defining the orbit of peasants choices, and indeed that commercial and political influences were themselves restricted to particular appropriate means of managing production and securing surplus" (Robb, 2007: 130)

Robb says that this is not a specific feature of commercialization under British in the nineteenth century but an evolution or continuation of features that existed in the pre British period.

detail the conditions of the opium cultivator. **What is highlighted is that the outcome of opium production and trade was influenced by a series of factors which constantly interacted with each other, maintaining the pre-capitalist mode of production.**

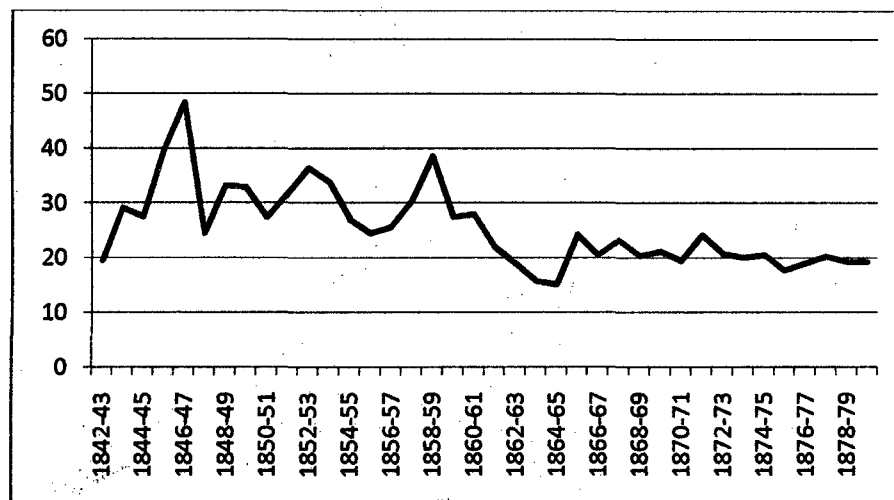
3.2 Profits in Opium for the British

Richards (2004: 60) noted that opium made important contribution to the trade British surplus.⁵⁷ His findings show that opium exports as a percentage of total exports was 25 percent between the 1830s and 1840s and rose to 31 percent in the 1850s. Even after considerable diversification of exports during the course of the nineteenth century, opium held a significant position in the total exports from India well into the early twentieth century. Opium in a processed form was exported from India to various destinations. Raw opium was processed into its saleable form at factories in Patna and Ghazipur. It was through trade with regions outside India that the British realized profits from opium. Chowdhury (1964: 6) notes that on an average, there seemed to be some correlation between “the expansion of trade and expansion in poppy cultivation” during the nineteenth century.

The period after the First Opium War (1842-43 to 1879-80) saw opium exports as a percentage of total exports from India ranging around 25 percent. During these 37 years opium trade generated approximately Rs 91,418,000 for the British in export of opium (Figure 3.2). In addition to a profitable trade in itself, opium cultivation also generated revenue through land taxes as well as excise and pass duties within India.

⁵⁷ The importance of opium in trade was realized by the British during the late eighteenth century in “financing the procurements of tea in China” (Wright, 1959: 113). This was mainly in response to the Commutation Act (1784) which reduced duties on tea from 100 percent to 12.5 percent stimulating consumption (Chowdhury, 1964: 4). The need to finance Chinese tea, and to prevent the loss of bullion to China, was served by two commodities from India: opium and raw cotton, among which opium dominated in the course of time (Chowdhury, 1964: 4-5).

Figure 3.2: Ratio of Opium Exports to Total Exports, 1842-43 to 1879-80 (in percentage)



Source: Richards (2004: 62-63)

Chaudhuri's (ed.1971: 26) calculation of the commodity composition of commercial crops shows the growing importance of opium in exports, compared to other commercial crops, during the first half of the nineteenth century (1814-15 to 1857-58). He shows that while Indigo, piece goods, raw silk etc. were steadily declining, the share of opium in total export was gradually increasing.

3.3 Role of Market in Profit Generation

Market creation was an essential precondition for generating profits in the opium value chain. Hence access to the market (both domestic and international) was crucial to realize profits. A major point of contention among researchers looking at the nineteenth century India was the effect of market creation on the local population. The nature of commercialization has been variously described in these debates. It was argued that 'forced commercialization'⁵⁸ for the

⁵⁸ The question that is raised is: how far can we include opium under the system of forced commercialization? Forced commercialization has been variously interpreted. Some defined it as peasants being forced to cultivate, either through incentives or through restrictions. The notion that opium cultivation was forced gains ground at certain specific circumstances in production during the nineteenth century. Chaudhuri (1970b: 238) says that the use of coercion was a direct result of government policies to increase the production of poppy in short periods. The peasant at such times had to be coerced indirectly to cultivate poppy; and at most instance such coercions were effected through the village *mahtos* or headmen. However, peasants were not always passive bearers of coercion. Resistance to such coercions by the peasants as well as other actors in the value chain is evident in history, which implies

creation of markets led to increasing inequality.⁵⁹ Studies on opium cultivation in India during the nineteenth century generally seemed to have focused on this aspect of the crop. We shall focus on examining these research works understanding both popular notions, while expanding such notions to include certain possibilities.

In opium cultivation, the role of individual actors in the value chain (in Figure 3.1), was consolidated by the British through three major steps:

1. By establishing local contacts and networks (through intermediaries) that helped maintain a required level of production.
2. By facilitating the rise of a specific group of merchant entrepreneurs to aid in opium exports to China.
3. By maintaining an administrative hierarchy whereby very few of these actors interacted directly with each other with the result no or very little information of surplus reached the direct cultivator of opium.

These steps ensured that a restriction was imposed not on the 'choice to cultivate' but on the 'choice to market' the cultivated.

3.4 Complexities Influencing the Value Chain – The Case of Opium Production in Malwa

A major external influence on the stability of the opium value chain was the influence of opium production in Malwa. We shall show in this section that the colonial states decision to produce opium and its exports to China was significantly influenced by the quantity of opium produced in Malwa. Hence any change in the internal organization of opium production in the Bengal

that forced commercialization can have outcomes beyond what the government desires. Another interpretation of forced commercialization has been provided by Bhaduri (1983). He defines forced commercialization in terms of involuntary participation in the market due to initial indebtedness of the cultivators primarily through consumption loans.

⁵⁹ A noteworthy contribution to this debate which in fact analyzed the impact of the market in a positive manner was by Dharma Kumar (Kumar (1975)). Subrahmanyam ed. (2004: 3-4) says that this conclusion led to skepticism on literature that characterized commercialization in agriculture under the British as having widened inequality. The question on forced commercialization hence was a recurrent theme while understanding the creation of surplus through international trade and market creation in British India.

monopoly (which affected the indigenous actors in the value chain) was a direct consequence of production changes in Malwa.

To understand the policy changes adopted by the British in opium production (in Bengal) at regular intervals during the nineteenth century (Chowdhury, 1964), we use the notion of a 'desired state'. We define a 'desired state' for the British as one where profit (revenue) was maximized with a fixed level of production and exports, assuming that the internal and international markets for opium were controlled.⁶⁰

Table3.1 Comparison of the Desired States in the Two Opium Producing Regions

Opium	Table A (expected profits)		Region	Table B (expected profits)
	Leakage	No leakage		Internal Market
Single Market	Undesired (I)	Desired (II)	Bengal	Desired (I)
Multiple Market	Undesired (III)	Desired (IV)	Malwa	Undesired (III)

The table defines the desired state with respect to expected profits and control over international and national markets. Leakages from the total expected profits from internal and international markets (single or multiple markets) were undesired. The preference for internal markets was directly dependent on the extent to which these markets could be controlled by the British. We argue that such a state was constantly challenged through 'alternate trade routes' and through 'increasing internal consumption'. The result was a series of restrictions imposed on trade and production of opium in Bengal. This process was characterized by British attempts to monopolize opium trade across India with a large number of unsuccessful strategies including attempts to buy out the entire produce of Malwa (Chowdhury, 1964). We shall show that the complexities posed by alternate routes and rising internal consumption perpetually rendered the

⁶⁰ We proceed by stating the following general observations about the states under consideration:

- Bihar had more or less depended on a single international market for the trade in opium (China), while Malwa had more than one market for its exports.
- Internal consumption was approximately a function of where the opium was produced i.e. in a strictly controlled region like Bihar, internal consumption was severely monitored and controlled with licensed shops as well as consumers. In the princely states of Malwa, where the administrative control of the British was limited, there were hurdles to implement such policies.
- The source of opium was also an indicator of its quality (Farooqui, 2004). Malwa produced better consistency (can roughly be used as an indicator of 'quality') opium than Bengal.

Bengal monopoly unstable. The response of attempts made by the so called monopoly to react to these complexities was primarily felt by the cultivators of Bengal.

3.4.1 Complexities Posed by Alternate Routes (Trade Restrictions to Impose the Desired State): Malwa region was a constant challenge to the 'desired state'. Richards (2004: 71) finds that by the end of the nineteenth century at least ninety princely states in Malwa were engaged in opium cultivation⁶¹. These states used different routes to transport opium for national and international trade. Markovits (2000) says that there were specific periods in which specific routes were used for the trade (smuggling) in Malwa opium. Prior to 1820 this trade (smuggling) was clandestinely supported by British speculators in Calcutta. While Marwari and Gujarati merchants financed the production of opium in Malwa, the transport of this opium by caravans to the Portuguese ports was sponsored by Parsi merchants supported by Europeans. Post 1820s, the Malwa opium trade found new routes through Rajputana and Sind, "which was circuitous and entailed the involvement of Marwari merchants from Rajputana and Hyderabad and Shikarpuri merchants from Sind" (Markovits, 2000: 14). The trade was reorganized after the First Opium War and following the annexation of Sind to British India. British efforts to control opium production in Malwa led to smuggling and tax evasions by altering trade routes and by paying bribes. Some of the famous routes used by the Malwa merchants took opium through Karachi and the Portuguese port of Daman. It was also possible that the Malwa producers attempted the creation and expansion of internal markets for opium which will be discussed later.

Although, a combination of policy measures was used to minimize such leakages, it could not be completely curtailed. Table 3.2 shows exports from India to China during two time periods, separated by the Third Anglo Maratha war (1818). The figures are indicative of the nature of policies adopted by the British towards the two opium producing regions. Some broad conclusions can be made from these figures.

⁶¹The importance of opium trade in Malwa is also noted in the movement of bullion from China towards Bombay in the 1820s, the flow of surplus towards Western India (Malwa) Richards (2004, 64). But there remain questions on how far this has been beneficial to the local exporters as the value of silver with respect to gold had been continuously declining since 1793 and "trade had been taking place in a depreciating medium" (Siddiqi: 1995, 208).

Table 3.2: Exports of Opium (number of chests) to China from Malwa and Bengal 1800-01 to 1838-39

Year	Malwa	Bengal	Year	Malwa	Bengal
1800-01	1346	3224	1820-21	1653	2591
1801-02	2203	1744	1821-22	2278	3298
1802-03	1259	2033	1822-23	3855	3181
1803-04	724	2116	1823-24	5535	3360
1804-05	837	2322	1824-25	6663	5960
1805-06	1705	2131	1825-26	5563	3810
1806-07	1519	2607	1826-27	5605	6570
1807-08	1124	3084	1827-28	5504	6650
1808-09	985	3233	1828-29	7709	4903
1809-10	1487	3074	1829-30	8099	7443
1810-11	1376	3592	1830-31	12856	5672
1811-12	2103	2788	1831-32	9333	6815
1812-13	1638	3328	1832-33	14007	7598
1813-14	1556	3213	1833-34	11715	7808
1814-15	674	2999	1834-35	11678	10207
1815-16	1507	2723	1835-36	15351	14851
1816-17	1242	3376	1836-37	21427	12606
1817-18	781	2911	1837-38	14773	19600
1818-19	977	2575	1838-39	21988	18122
1819-20	2265	1741			
Average	1365.4	2740.3		9768	7949.74
Coefficient of Variation	0.3455	0.2046		0.6014	.6279

*Source: Greenberg (1969: 221)*⁶²

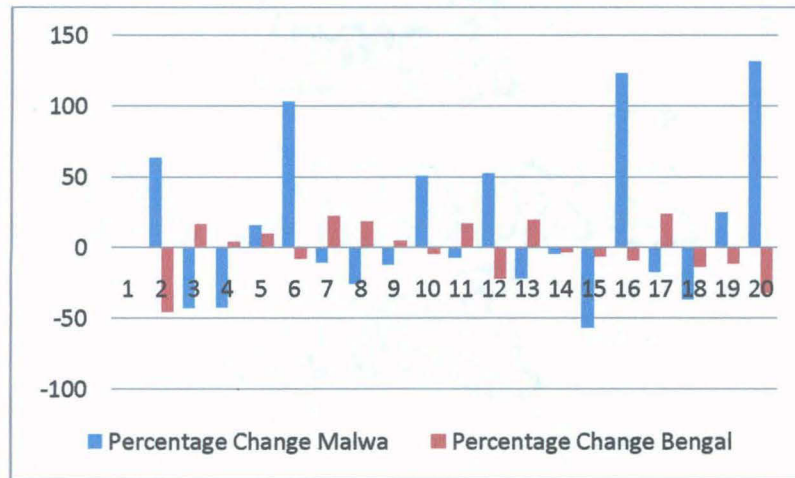
From the table we see some major changes post Third Anglo Maratha war. The average number of chests exported from Malwa (presumably through British ports) (approximately 1365) during the first period (1800-1820) was much lower than the exports from Bengal (approximately 2740) during the same period. The situation however changed post war with greater British control over Western India. Post war, the export of Malwa opium (from British ports) steadily grew and reached a maximum of 21988 chests in 1838-39. The average exports during the second period

⁶² Greenberg has quoted these figures from Morse's International Relations, Volume I. These are import figure to China which as suggests might be "less accurate" given that it is "based on a variety of contemporary lists which cannot always be reconciled" (Greenberg, 1969: 220). We acknowledge this limitation while using the data.

(1820-1839) were 9768 chests from Malwa and approximately 7950 chests from Bengal. This shows the increasing recognition of the importance of Malwa opium in the trade basket of the British exports to China. On the other hand, the figures are also indicative of the increasing difficulty faced by Malwa merchants in illegally transporting opium through other ports.

Another interesting issue raised by Table 3.2 is the larger variation in quantity exported from Malwa during the first period (higher CV of 0.3455). This is also reflected in the annual percentage change in exports from Malwa compared to Bengal during the first period (Figure 3.3). Both these figures indicate that domestic exporters preferred not to take their opium to British controlled ports during the initial period where paying duties cut into their profit margins. It suggests that the merchants chose to use other transit routes during the period knowing that trade through British ports made their profits vulnerable to controls. However, we also notice the British policy of containing total exports to a particular level by controlling production at least in one of the areas (and in the first period, it was most easily done by controlling production in Bengal which included Bihar and Banaras). There are no striking patterns in which production in Bengal and Malwa moved during the period (in fact they moved in roughly opposite directions). During the second period (1820-21 to 1838-39) this is not the case. This leaves open the possibility of a direct impact on the internal organization of production in the monopoly due to the existence of an uncontrolled Malwa during the first period (we shall see later on that this hypothesis need not be true).

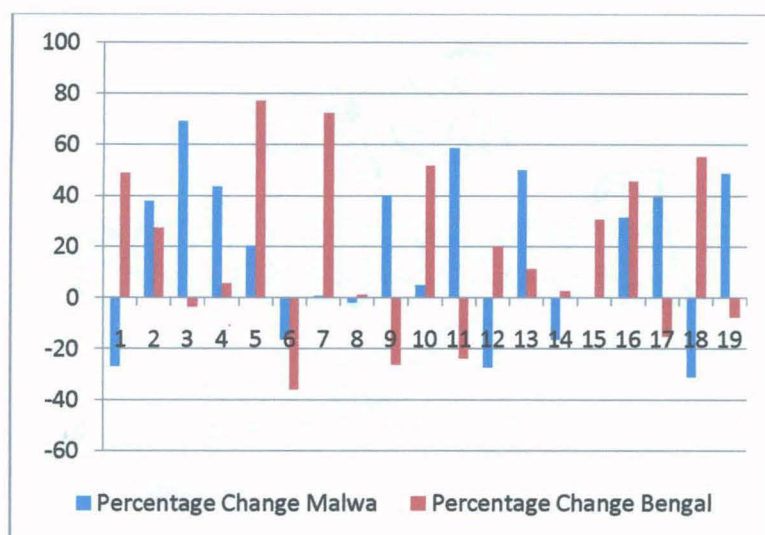
Figure 3.3: Annual Percentage Changes in the Quantity of Opium Exported from Malwa and Bengal during the Period 1800-01 to 1819-20



Source: Calculated from figures in Table 3.2

During the second period we notice a rising trend in the opium produced for exports both from Malwa and Bengal. We also observe a higher variation in export figures for Bengal than Malwa (CV's are 0.6279 and 0.6014 respectively). This is some indication of the successful control of Malwa by the British at least during the two decades following the Third Anglo Maratha war and the recognition and control of illegal trade from Malwa. Once production in Malwa was stabilized through various controls, production in Bengal was varied in order to maintain the desired state. The production response in Bengal became in a sense more elastic to production for exports in Malwa during this period. This also resulted in higher production vagaries in Bengal (Refer Figure 3.4).

Figure 3.4: Annual Percentage Changes in the Quantity of Opium Exported from Malwa and Bengal during the Period 1820-21 to 1838-39



Source: Calculated from figures in Table 3.2

From Figure 3.4 we observe that:

1. For any changes in production for exports in Malwa the corresponding changes in Bengal were significant on a year to year basis.
2. For the entire period after the 1820s under consideration, production for exports in Bengal was not reduced substantially over the previous periods except for three years. This shows the lack of British confidence in correctly predicting the quantity of opium produced in Malwa that would move from their ports.

Hence it is reasonable to assume that production in Bengal was organized more in response to production for exports (through British ports) in Malwa even after Malwa came under the military control of the British. This result shows the vulnerability of the monopoly and its constant need to respond to external influences. The primary impact of change in production through trade restrictions were felt by the cultivator of opium in Bengal.

3.4.2 Complexities Posed by Internal Consumption (Production Restriction to Impose the Desired State): There was a competition between the two opium producing regions (Malwa and

Bengal) to control the internal market.⁶³ This intensified during the end of the nineteenth century and posed a threat to the Bengal monopoly.

The internal market in the monopoly region functioned in the following manner. Local governments procured excise opium (for consumption in India) produced at Benares and Patna and sold it through licensed dealers who were required to pay a stipulated excise duty for procurement. The details on total revenue from opium consumption and the number of abkari (excise) chests manufactured for consumption during the period 1878-79 to 1889-90 is provided in Table 3.3. We see that there is a rising trend in revenue from internal consumption throughout the period considered, while the total number of abkari chests of opium supplied. This determined the prices. The policy of the government as far as revenue generation from internal consumption was concerned was to control the supply and thereby control prices. Such a policy to enhance revenue requirements by controlling the supply was backed by the proclaimed decision of the government from an early stage in opium production, to control or discourage consumption in India.⁶⁴

⁶³ Watt (1972: 98) notes that Assam, Burma and Bengal were the three major provinces consuming excise opium in India. He also provides consumption data for Central province, North-West Provinces, Madras, Bombay, Oudh and Punjab for the period 1878-79 to 1889-90.

⁶⁴ Chowdhury (1964) says that the British policy, at least in the initial years of opium trade, was to strictly restrict internal consumption of opium. Later, with the agency system gaining administrative control, monitoring of internal consumption was structured through hierarchies. This was in two forms: government monitored excise opium in Bengal, and restriction of opium production which found illegal markets within and outside India. Consumption of opium in India was thus not generally high, at least when compared to China; and in the British occupied regions it was under strict supervision.

Table 3.3: Total Revenue on Consumption of Opium in India (in Rupees) and Number of Abkari Chests Manufactured for Consumption in India 1878-79 to 1889-90

Year	Total Revenue (Rs)	Number of Abkari Chests	Revenue/Chests (Rs)
1878-79	660043	5605	117.76
1879-80	702677	4221	166.48
1880-81	810963	4378	185.24
1881-82	800490	3959	202.19
...
1883-84	845634	2146	394.05
1884-85	844654	4321	195.48
1885-86	844177	2219	380.43
1886-87	863073	2831	304.87
1887-88	877377	3367	260.58
1888-89	919980	3485	263.98
1889-90	928928	6320	146.98
Average	827090.55	3895.63	238.00

Source: Watt (1972, 99)

Indian consumption of Malwa opium was steadily increasing over the period, with an average of 3093 chests of opium consumed during the ten year period from 1883-1893 (Refer Table 3.4). This was much below the average number of excise chests sold from the Bengal (approximately 4803). However, we note that there was a larger fluctuation in the number of chests supplied for internal consumption from Bengal than in Malwa (with coefficients of variation 0.1039 and 0.0805 respectively). Excise rates remained the same over the period. Our interpretation is that the only option with the government to control total internal supply of opium was to control supplies from Bengal. This happened amidst the faster growth in the supply of Malwa opium for consumption than the Bengal monopoly. Restriction of internal markets for Malwa opium in India was attempted through production restrictions in Bengal. This could only have had adverse

consequences on the cultivators in the Bengal monopoly. Increased production also meant greater extraction of the cultivator's share of profit.⁶⁵

Table 3.4: Consumption of Malwa Opium in British India and Native States 1883-84 to 1892-93

Year	Consumption of Malwa opium (in Chests)	Year	Sale of Excise Opium in Bengal (in Chests)	Excise Rate (per Seer) in Rupee-Annas
1883-84	2865 $\frac{3}{4}$	1883	4910	7-4
1884-85	2875 $\frac{7}{10}$	1884	4370	7-4
1885-86	2856 $\frac{3}{4}$	1885	5522	7-4
1886-87	2837	1886	4441	7-4
1887-88	2969 $\frac{1}{2}$	1887	4497	7-4
1888-89	3077 $\frac{1}{4}$	1888	4559	7-4
1889-90	3293	1889	4052	7-4
1890-91	3291 $\frac{1}{2}$	1890	4949	7-4
1891-92	3515 $\frac{1}{4}$	1891	5255	7-4
1892-93	3348	1892	5478	7-4
Average	3093	Average	4803.3	7-4
CAAGR	1.74%	CAAGR	1.22%	

Source: Royal Commission on Opium, 1893 (RRCO) Vol 2, Appendix 9, pp 347; and Statistical Abstract for British India (SA) as given in Gokhale Institute of Politics and Economics (Pune) (1981: 139 & 143)

Note: CAAGR (Compounded Annual Average Growth Rate)

The superiority of the Malwa product as well as the nature of competition faced from the region left no chances to the British but to coexist with Malwa. The only form of control over the region

⁶⁵ A lesson learned by the British in its opium trade with China was that the drug would always find a market "as long as consumption was sustained and spread" (Siddiqi, 1995: 15)⁶⁵. It should be noted here that Malwa opium had higher morphine content than its Bengal counterpart which "helped to create a large market for it and at the same time contributed, through its greater addictive power, in getting more people hooked to the drug" (Farooqui, 2004: 23). So if Malwa opium established an internal market in India, it would have meant a loss of revenue to the British due to the elastic consumption within India and its repercussions on the export market. A loss of revenue from opium would have had serious effects on maintaining the expenses of British India estimated to have been contributing at least one sixth of the total revenue requirements of the state.

would have been to control total consumption within India (Farooqui, 2004). Moral concerns employed by the British to restrict internal consumption of opium, also served to prevent competition from Malwa. However, with the continuing loss of revenue due to compulsions to decrease sales after the Royal Commission on Opium (1893-1895),⁶⁶ there would have been no choice with the British but to ignore the production in Malwa altogether. One interpretation of this is that the British were trying to substitute a market for opium within India for a slowly deteriorating external market, or at least by removing the controls over internal consumption. However, this too was not an easy task. By this time the cultivators were already diversifying production from opium to other crops (potato, tea etc).

In both the cases above we see that changes could finally be made only to the production in Bengal.

3.5 Factors that Influenced the Indigenous Actors in the Value Chain

In this section, we shall highlight the conditions under which each of the indigenous actors existed in the opium value chain. The merchant entrepreneurs and the landlord/moneylenders were decisive in historically shaping the profits earned by the cultivators.

3.5.1 The Merchant Entrepreneurs (ME) in Opium Trade

The Patna Monopoly was the first instance of indigenous MEs who controlled opium trade in Bihar well into the first half of the eighteenth century. They were influential in the rising competition between the Dutch, French and the British in opium trade and the resulting increase in opium prices. Following the grant of *Diwani* to the British by the Mughals in 1764, the Patna Merchants started losing their monopoly status. This vacuum was filled with 'western business practices and institutions' using the instrument of the 'Agency Houses'.⁶⁷ Following the Charter

⁶⁶ The Royal Opium Commission chaired by Thomas Brassey was appointed in 1893 and produced its report in 1895. The Commission was appointed in response to the moral questions that prevailed on export of opium to the Far East (and especially to the biggest opium markets in China). The outcome of the Commission was widely debated and was generally considered unfavourable to the anti-opium protestors in Britain. The commission was criticized for its underrepresentation of Indians (only two Indians were part of the 9 member commission). The nationalist criticism of the commission was that it was an attempt at cultural imperialism of India.

⁶⁷ Agency Houses included a few private traders who were given the license to trade with India. Chaudhuri (1971: 19) notes that the main purpose behind allowing 'consignment trade' to be carried out

Act 1813 and opening up of trade (free trade) after 1814 there was a decline in the strength of these business houses. Chaudhuri (ed.) (1971) observes that the failure of Palmer & Co. in 1830 marked a series of events which finally led to the collapse of major Agency Houses in India and contributed to the trade depression during the first few years of the decade (1830s).⁶⁸ The failure of the Agency Houses led to the growing nexus between “private financial bodies in Bengal and the commercial firms” (Chaudhuri ed., 1971: 22).⁶⁹ Some of these crystallized into symbiotic relations primarily through credit demands of the colonizers as well as in the efforts of both the groups to establish control over particular trades. Although Farooqui (1996) highlights the symbiotic existence of the merchant moneylenders with the British in Bombay, their chequered histories during the nineteenth century opium trade is indicative of their vulnerability amidst unfavourable policies.⁷⁰

Watt (1972) notes that the opium policy of the British was such that they exercised the “most direct supervision” on the merchants and brokers as possible in view of “retaining the prices”. Since the mid nineteenth century, transit duties on Malwa opium were fixed at very high rates compared to the 1830s.⁷¹ The merchants and brokers were involved in bringing opium from

by these Agency Houses were to expand the market for British manufacturers during the initial years of the industrial revolution. Their role became significant in determining the trade prospects of Indian business firms in the first half of the nineteenth century (Bagchi, 2010: 24).

⁶⁸ Chaudhuri says that a major factor that contributed to this fall was the over-speculation in Indigo prices.

⁶⁹ The dramatic rise and fall of Agency Houses made the colonizers realize the importance of coexistence of the British and Indian merchants-entrepreneurs. However, this was not a smooth process. The British efforts to integrate India with the world capitalist system, was marked by constant power struggles between dominant groups in the metropolis and in India. The case of Bombay is discussed by Farooqui (1996). Farooqui (1996: 2746) says that there were constant attempts by the local merchant entrepreneurs in Bombay to develop hinterlands in Malwa, Rajasthan and Gujarat. The result was a rise in smuggling activities by the merchants. These were significant efforts to subvert British attempts to establish dominion status in Malwa opium trade. Chowdhury (1964: 11) also identifies the moneylenders-cum-small traders (sahookars) and the whole sale merchants as two categories of people, among others who grew powerful through opium trade. These struggles were also reflected at the regional level where a separable difference is observed between eastern and western India dominated by the European and Indian capitalists respectively (Bagchi, 2010: 23)

⁷⁰ It has been noted that the merchants were always under the influence of the rulers. Habib says that the inability of the merchants to stand independently and their constant patronizing by the rulers were reasons for their “debilitation” following the decline of the Mughals (Farooqui, 2011: 192).

⁷¹ The development of transport during the second half of the century proved beneficial to these merchants. Watt (1972: 95) mentions that railways in 1880 saved at least eight days in transporting opium

Malwa to the agencies in Ahmadabad and Ajmere. The payments were initially received by the merchants at the British godowns in "hundis" "bearing an interest of five percent per annum", taken on a reputed Bombay firm and payable at the Bank of Bombay (Watt, 1972: 96). The payments made by the merchants for transit passes were either as hundis or in cash. The process of transfer of opium also involved the merchants employing "carpenter, porters and men for screwing chests opened for weighment" (Watt, 1972: 96).

Several factors contributed to the growth of MEs. Many of the indigenous entrepreneurs started their careers as merchants and later focused on specific activities. For some, however, this was a natural route of ascendancy. Religion and credit played major role in corporate identities of the merchant groups (Bayly, 1983).⁷² Coexistence with the British did not always lead to losses for the MEs. Some of the major MEs suffered losses following a decline in regional trade. However, many of them migrated through specific trade routes to the port cities of Calcutta and Bombay where they became part of the wider international trade.⁷³ A shift from regional to international trade was hence profitable for a few MEs.

from Indore to Bombay. Transits earlier took at least from twenty days. Such a reduction became possible with the adoption of new routes which brought opium to the Great Indian Railway at Khandwa. This route from Khandwa or via Palanpur and Ahmadabad to Bombay was one of the authorized routes for the transit of opium to Bombay.

⁷² A case worth mentioning is that of the Parsi merchants who turned entrepreneurs especially those who had migrated to the ports of Calcutta and Bombay following the decline in importance of Surat. Guha (1970b) finds that the process of merchant trade helped the Parsi community to accumulate surpluses before venturing into entrepreneurial activities.

⁷³ Major ports in the pre British period lost their status following significance of international trade and development of new trade routes. Timberg (1995: 251) notes two major trade routes that existed in India between 1837 and 1857. One of these originated in Rajasthan and Punjab followed the Ganges and Jamuna rivers to Calcutta; and the other was to the south from Rajasthan through Malwa to the Deccan and Bombay. Marwari merchants-like the Parsi's mentioned above- originally from Rajasthan, used these routes to reach the port cities of Calcutta and Bombay following a decline in trade activities in the West (Surat), and played crucial roles in opium speculation. Timberg (1995: 256) also sites a series of Marwari migrants establishing and profiting from opium trade in Bombay well into the second half of the nineteenth century. In addition to the Marwari merchants, Timberg also notes Bengali, Jewish and other merchant firms considerably involved in opium shipments from these ports. Textile industries which began growing since mid nineteenth century (Cowasji Davar-first textile baron who started his mill in 1854) had made money in opium trade with China.

Some of the major investments in the context of opium trade were in shipbuilding industry at least during the period when the navigation laws were relaxed and the industry was under the patronage of the British.⁷⁴

The success for MEs in opium trade came through speculating in opium prices (wind falls) and not through capital accumulation. Such speculation often took place under favourable circumstances especially with respect flexible navigation laws (e.g. during Napoleonic wars), wars (opium wars), or decline in industrial activities (during early nineteenth century).⁷⁵ It was this profit that was diversified to other ventures.

The growing interest of the MEs in international trade also made them vulnerable to factors that influenced trading activities. The method adopted by the East India Company to transfer funds was one crucial factor affecting the MEs. Chaudhuri (ed.) (1971: 38) says that pre 1833 the transfer was primarily done by issuing bills of exchange on London for its trade activities. Since 1833, funds were transferred by “selling rupee bills in London for Sterling to the importers of Indian produce and by buying sterling bills in India from the exporters” (Chaudhuri ed., 1971: 38). This influenced speculation by appreciating or depreciating exchange rates and provided opportunity for the exporters from India to profit.⁷⁶ Conversion of bills also posed hurdles to the MEs who traded with China. Siddiqi (1995: 14) notes that it was necessary that private opium traders at Canton sold their proceeds for “bills on the Indian government and on the Court of

⁷⁴ The Parsi's owned more than half the tonnage of all European-captained Indian ships touching the port of Bombay in 1792 (Guha, 1970a: M-109). The situation continued until mercantile policies of the British changed dramatically in the late 1840s and when they promoted free trade for English merchants. By this time, merchant capital was invested by the community in a large number of ventures including printing, banking, horticulture, carriage building etc (Guha, 1970a: M113-114). The survival of Gujarati capitalists well into the last quarter of the nineteenth century is observed by Bagchi (2010). Siddiqi (1995: 15) gives an account of a “Maharashtrian Brahmin” (Tatia Jog) “who left a fortune of half a million sterling” from opium trade when he died in 1826. This she says is indicative of the surplus that was hidden in the trade of this commodity. Jamshetji Nusserwanji Tata's brief stint with opium and cotton imports while at Shanghai is notable (Markovits, 2000: 320).

⁷⁵ These speculations in prices were also influenced by a variety of concerns about the Chinese market: some of these were periodic combination among Chinese dealers and foreign agents, occasional persecution by the Mandarins, piracy, rebellions, attitude of Macao government, and even inelasticity in the demand for opium (Greenburg, 1951: 115-116). The 1805-06 depression in prices and the peak rise in price a year before was attributed to such changes in the Chinese market.

⁷⁶ Chaudhuri notes that this policy of buying sterling bills from exporters in India was stopped in 1850 following strong pressure by the Calcutta firms.

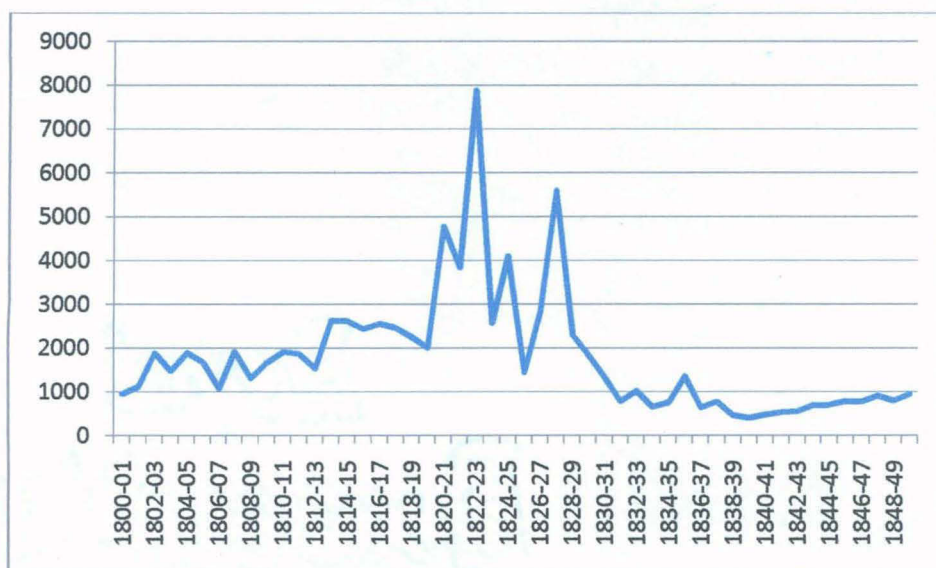
Directors in London”, exposing them more to the international money market. Although the Indian traders’ preferred the bills of exchange⁷⁷ over bullion, following the abolition of the company monopoly in China trade there were very frequent problems with remittances including exclusion from the bills market (Siddiqi, 1995: 202). Remitting the money from trade back to India at favourable exchange rates became even more problematic with “the expansion of trade and British banking” (Siddiqi, 1995: 203).⁷⁸ Incorporation into the world-economy also made the MEs vulnerable to economic downturns in the United Kingdom⁷⁹ such as the slump in opium prices during the 1830s could be indicative of this. There is nothing better to describe the chequered history of the MEs than the movement of prices of opium. Dramatic price swings for opium during the period 1800-01 to 1848-49 is traced in Figure 3.5. The decade of 1820s marked the greatest speculations in opium during the first half of the century. Some of the greatest Indian entrepreneurial ventures started during this same period.

⁷⁷ These bills of exchange were valuable due to a number of reasons like their lesser risk in shipment, ease of negotiating with it, known value and being as good as paper money (Siddiqi: 1995 203). Siddiqi says that there were both bills issued on Court of Directors as well as private bills issued on London. Bills on the Court of Directors were difficult to be procured at Canton due to lesser requirements of the company treasury at Canton and due to huge demand from the Chinese traders for these bills.

⁷⁸ With increasing world trade, American traders resorted to using bills on London banks and merchant houses to buy goods at Canton. These bills were not preferred in India, and even if they were demanded, they yielded losses due to unfavorable exchange rates. This necessitated that bills of Indian traders be sent to London, which itself had certain disadvantageous. Siddiqi specifies the case of traders like Jamsetjee Jejeebhoy, who has noted that such transfers via London created delays in paying off short term credits which they raised in India for their trading expenses. (Siddiqi: 1995 204-205)

⁷⁹ From 1830s to 1850, there were four major slowdown (1832, 1837, 1840-42, 1848) (Craig and Garcia-Iglesias, 2010: 142). As noted by Greenburg (1951: 113), this period was also marked by “...an expansionist production policy in India, a method of distribution by means of clippers from India and a fleet of boats up the China coast” and, “an influx of private merchants to Canton on the abolition of the Company’s charter”. This led to the proliferation of smuggling activities.

Figure 3.5: Fluctuations in Price per Chest⁸⁰ (in Rupees) of Opium in India 1800-1850



Source: Calculated from Richards (2004: 54-55)

3.5.2 Landlords/Moneylenders and Opium Trade

In the opium value chain the landlords/moneylenders (LML) acted between the cultivators of opium and the agency to maintain production levels. They were at times a buffer, absorbing shocks which otherwise would have fallen on the cultivators, as there are indications that these groups were not uniformly prosperous. Their role was more to ensure production. In this process few of the LMLs profited, not directly from opium trade but due to several policies adopted by the British during the nineteenth century with respect to land and tenure requirements⁸¹.

A crucial legislation which coexisted with the agency system in opium throughout its entire period was the Permanent settlement (1793) under Lord Cornwallis. This converted a heterogeneous bundle of revenue farmers into a homogenous group of *zamindars* with

⁸⁰ Price per Chest has been calculated by dividing the total revenue from opium exports to the total chests of opium exported.

⁸¹ Ghose (1969: 10) states that British rule introduced some very important tenurial changes in India like “the concept of proprietary rights, money rent and the transformation of land into a salable commodity”, each of which had its consequences. This not only made the *zamindars* an effective force but also allowed them to invest and prosper in land. The importance of land as a commodity is reflected in the steep rise in its value in two periods during the nineteenth century from 1805-1814 and from 1850-1870. During the second period, the average price of land was approximately ten times the annual land revenue demand (Poucheпадass, 1983: 88-89).

proprietary authority over land (Ghose, 1969; Sinha, 1968). There were a number of implications to the regulation of 1793.

1. Revenue share of the *zamindars* from land was fixed. However, what the cultivator should pay was not similarly fixed.
2. Land developed into a saleable commodity at auctions in case the *zamindar* failed to pay his dues. These conditions were often misused⁸².
3. Led to the creation of a number of disposed *zamindars*⁸³.

These factors led to the breakup of the earlier patron client framework under which the landlords and the tenants coexisted (Barik, 2006). Following the Permanent settlement, a series of legislations until the mid 1850s tended to protect the *zamindars*, while the actual cultivators were made more vulnerable.⁸⁴ In 1799, the revenue collection was made more landlord friendly by converting monthly instalments to annual payments. Act XII of 1841, abolished interest on revenue arrears and fines on defaulting landlords (Pouchepadass, 1983: 87-88). In addition there were instances where *zamindars* manipulated policies.⁸⁵

In opium producing tracts, which had to be continuously irrigated, rents were paid in cash. This seems to have occurred noting the importance of the agency system (which advanced cash) for

⁸² Such land was reclaimed by the same *zamindars* using proxy names and buyers, and a higher rent was charged from the cultivators. These were again done using the provisions of the very regulation (Ghose, 1969: 21).

⁸³ Pouchepadass (1983) says that the percentage of disposed *zamindars* was lower in Bihar compared to the rest of Bengal. Power was a major factor determining sales in these land auctions. In some districts of Bihar, like Shahabad, this seemed to have continued until 1880. These facts point to the possibility that the *zamindars* in Bihar were powerful enough to circumvent loss of land in auctions by raising funds either from a strong money lending class or by further exploiting the cultivators to pay more. Given the existence of an agency system, it is also likely that the peasants paid the rents on time and allowed the *zamindars* to deposit state revenues without failure and possibly extract surplus.

⁸⁴ It is noted that in some regions of the state (at least in many areas in *Tirhut/Tirhoot*) the temporary settlements continued as late as 1833 due to the pressure exerted by the *zamindars* (Sinha, 1968: 147). The *zamindars* were also entrusted with the responsibility of security of the poppy fields.

⁸⁵ The rent was collected from the peasants in either of the two forms: as cash (*nagdi*) or in kind (*bhowli*). The kind rent was usually on less fertile land. There are instances when *zamindars* reclassified this and started collecting kind rent from fertile land. Bhowli system was closely linked to irrigation facilities which were supposed to be provided by the landlords, and which were constantly neglected leading to deterioration in the conditions of the peasants (Barik, 2006: 7-8).

the cultivators. Chowdhury (1964: 31-32) finds that the *zamindars* charged rents which were approximately "50 percent of the total cost of cultivation of poppy lands". These rents were raised using provisions of the 1812 Regulation. Although there were provisions in Regulation 13, 1816, in favour of the tenants, Chowdhury says that they were least enforced. Differential rents were charged even following tenancy legislations in the late 1850s. These rates were based on the ownership rights over land and continued to increase as research done on certain areas indicate.⁸⁶ In the case of Saran district, increase in land rent was accompanied by a rising food grain prices during the second half of the nineteenth century (Yang, 1989: 51-52) and no corresponding increase in the wages of agricultural labourers.

The changing role of the *zamindars* led to change in their attitude towards land. Little was done to maintain irrigation facilities, which affected production and yield. However, we cannot claim conclusively that this happened in the poppy producing tracts. For example, if we consider a period towards the end of the century we find that for selected sub-agencies under Patna Agency, area and yield have fluctuated (increased or decreased) without any clear trend (Watt, 1972: 57). Opium was a special crop for the British and something had to be done to maintain production irrespective of the interests of the landlords. To start with opium was cultivated only in those stretches where the land was highly fertile. The fluctuations in area and yield were in fact determined by rigid administrative hierarchies under the agency system. As Robb puts it, opium administration of the British under the agency system was at three distinct levels above the cultivator. The top level included the Collector as Deputy Opium Agent and, in Bihar, his 11 deputies⁸⁷. Minor officials or *Gomashtas*, who receive opium and are paid salaries and commissions, and the *ziladar* (salary only) responsible for 20 to 30 villages, formed the second level. At the third level is the *khatadars* (25,000 in 1880s with an average of 32 cultivators

⁸⁶ Yang (1989: 49) points to the case of Saran district where rents were the highest compared to the rest of northern Bihar. Here the average rent rates were Rs 3-4-9 per acre for raiyats under fixed rates; Rs 4-5-4 per acre for settled or occupancy raiyats; Rs 5-0-6 for non occupancy raiyats. The occupancy raiyats held tenure for major part of the land (app. 85%). Under raiyats who had the least rights over land paid the highest rate Rs 5-2-8 per acre.

⁸⁷ Sub-agencies in Bihar were Tirhoot, Hajipur, Chapra, Aliganj (Sewan), Motiharee, Bettiah, Shahabad, Gaya, Tehta and Patna (Gokhale Institute of Politics and Economics (Pune), 1981: 27).

each)⁸⁸. The *khatadars* recruited the cultivators or *assamis*. The *khatadars* was a relatively powerful intermediary, a village official or rich peasant (Robb, 2007: 133)⁸⁹.

Chaudhuri (1970b) says that while local moneylenders were entirely out of the purview in poppy cultivation, the particular hierarchy developed to administer poppy production led to the increasing role of the *khatadars* in the credit requirement of the peasants. For Chaudhuri, *khatadars* were not just a village official or rich peasant as Robb terms them but was in most instances a local moneylender. His association with the peasants helped strengthen his role in different ways. Most of the advances collected by him to be extended to the cultivators went directly into the coffers of the *zamindar* as rent. There were also instances where he would cheat the peasants of the price of crude opium (Chaudhuri, 1970b: 229-231). Thus the role of the intermediary became crucial in opium production⁹⁰. In Bihar this could have been all the more serious given the conditions prevailing in the region as noted above. In the poppy cultivating fields, it was necessary that the agents maintain friendly relation with *zamindars*.⁹¹ Any tussle with the *zamindars* could prove disastrous for production.⁹²

⁸⁸These *Khatadars* are possibly what Chowdhury (1964: 54) notes as the “*mahtos*” active during the early decades of the agency system. The *mahtos* were of two types: The ‘*sudder mahtos*’ who act as security to the advance and produce receiving wages; and the ‘*gayan mahtos*’ who were “agents appointed by the ryots...to receive advances...settle accounts” and so on.

⁸⁹Robb (2007: 134 and 136) notes that even amidst this administrative hierarchy, the subjection of the cultivator of opium “was not absolute”; it was “not directly to the opium department”; and it was “not uniform among the body of the cultivator”. He describes the process of commercialization as “costly and impeded from the inside”.

⁹⁰Also refer Yang (1989: 39) where he points to the particular case of Saran district. Although opium along with indigo brought a lot of revenue to the district, administrative price settings as well as intermediary role proved to be major disincentives for the cultivators. He quotes Fisher (1976) that compared to others it was the traders who gained most out of commercialization.

⁹¹This was necessary to separate ryots from opium deals (through hierarchies). It was the *zamindar* who made decisions and it would have been easy to shift the ryots from cultivating poppy to more profitable crops including potatoes and sugarcane (Chowdhury, 1964: 32). This should be seen alongside Robb’s statement that the opium agents failed to establish any direct contact with the suppliers. A fact which strengthened this was that increase in poppy cultivation could not influence the prices fetched at Calcutta (Chowdhury, 1964: 33). The situation changed when Malwa became a competitor to the Bengal Monopoly.

⁹²The only instance noted by Chaudhuri (1970b: 248) where the government considered interfering in cases where the rents were extremely high in poppy was in 1884-85. However, the decision was reverted

3.5.3 Cultivators of Opium

The cultivators were the most vulnerable group in the value chain. The growing significance of opium in trade and the knowledge that it was a highly profitable crop made the cultivators of opium the crucial link in the chain. Hence any change in the production first affected them. We shall examine the conditions under which such changes were introduced in production.

The company revenue administration also led to the homogenization of the tenants into a common bundle deprived of rights on land (Ghose, 1969).⁹³ Lack of fixed rates at which taxes should be paid under Permanent settlement made the tenants prone to exploitation. In addition, there were very few legislations favouring the tenants. Ghose (1969: 22) notes three legislations which further constrained the position of the ryots: “*Haftum* (Seventh) Regulation (Distrainment Act) and *Puncham* (Fifth) Regulation passed in 1799 and 1812” respectively “which continued for more than 60 years until repealed in 1859...made ryots liable to personal arrests and imprisonment if violating the revenue norms”; and Regulation VIII of 1819 which “legalized the system of subletting where every intermediary tried to exact some extra profit from the cultivators”. The Act of 1859 and 1885 protected at least a few groups of peasants although peasants holding land for less than twelve years (occupancy tenants) were still at the mercy of the landlord (Bagchi, 2010: 29).⁹⁴ Wadhwa (1981) notes that in *zamindari* Bihar (1793), the raiyats did not have the right to transfer their holdings like the raiyats under the raiyatwari system. Investments to improve land and agriculture were therefore not perceived and considered beneficial by the raiyats. He says that the situation continued till 1885. Opium cultivators in Bihar existed amidst these constraints.

When opium became a crucial commodity in trade, the provisions of the above legislations were strictly implemented. This would possibly have been unfavourable to any new entrant in opium

understanding well that interference in the tussle between the cultivators and the *zamindars* would unleash a chain reaction throughout the state and would severely dampen the production of opium.

⁹³ The *paikasht* (non-resident) and the *khudkasht* (resident) tenants were homogenized into a single category. While homogenization of the *zamindars* made them a powerful group, homogenization of the peasants made them a weaker section. This was due to the constant laxity in providing ‘patta’ to the peasants and their consequent conversion to tenants at will (Ghose, 1969: 15)

⁹⁴ Refer Bagchi (2010: 28) for details on agriculture production relations. Also refer Gupta (1982) for details on these legislations.

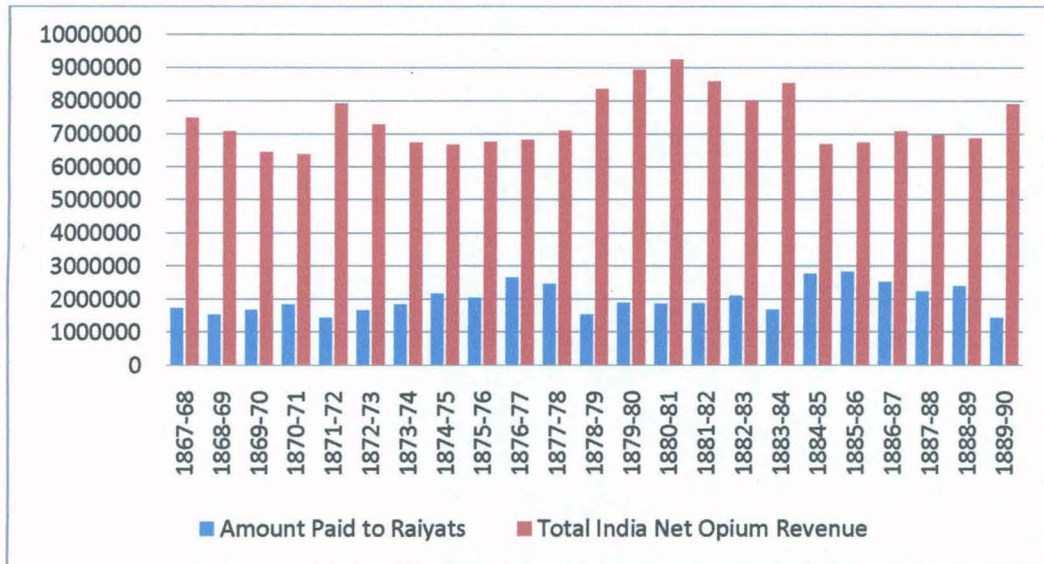
cultivation. The major aim was to stabilize the organization of production so as to ensure supply. It has been widely reported that pre-existing production organizations made the cultivators more vulnerable than the agency system.⁹⁵ Chowdhury (1964: 7) notes that under the Patna Merchants the peasants had the freedom to cultivate the crop and so smaller dealers also participated in the trade. Since 1763, the role of middle men or agents in the procurement of opium increased. The British resorted to such a system to remove hurdles presented by their unfamiliarity with language and local conditions. However, this as we see would stay and assume an institutional character in the nineteenth century. There were '*parwanas*' or written orders prohibiting coercion to cultivate poppy. In Bihar, it was required that *parwanas* should be issued each year to safe guard the interests of the raiyats. Although officially proclaimed, the raiyats interests were at times compromised (Wright, 1959: 116). The separation of power under the hierarchical system also prevented the cultivators from voicing their concerns directly to the Agency.⁹⁶ Another interesting feature of commercial crop cultivation under the British was that these cultivators did not have any direct access to market their produce (Barik, 2006). As mentioned earlier, the possibility of the tenant to lose his hereditary land was high under commercialization. Thus the attempt to organize production led to outcomes that disrupted the existing customary structure in agrarian Bihar (Wright, 1959: 116; Chowdhury, 1964: 7).

The relative status of the cultivator with respect to his share in total opium revenue is shown in Figure 3.6

⁹⁵ The East India Company under Cornwallis continued with the contract system (under the Patna Merchants) to procure opium, which seemed justified under that situation. However, the system was riddled with corruption and as Wright notes, was unable to justify the market norms in serving the cultivator (the raiyats) (Wright, 1959: 113).

⁹⁶ This does not mean that there were no power struggles; indeed Wright notes the case of Patna where the raiyats retreated from "their usual submissiveness" in 1792 and stood against the Company (Wright, 1959: 118).

Figure 3.6: Comparison of Amounts Paid to the Cultivator and the Total Net Opium Revenue (in Rupees as equivalent to one Pound Sterling) for the Period 1867-68 to 1889-90



Source: Watt (1972, 97)

The following broad conclusions can be made to understand the relative status of opium cultivators based on total revenue earned by the British using Figure 3.6.⁹⁷

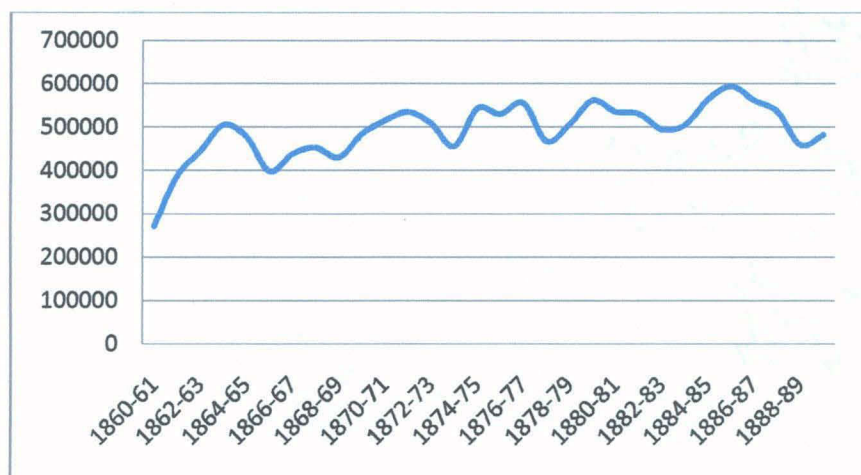
1. We see that the British maintained revenue averaging approximately Rs 65,000,000 during the period irrespective of what was paid to the cultivator. Any falling trend in revenue was offset beyond this particular limit.
2. The total revenue from opium in India was approximately four to six times what was paid to the cultivators.
3. A significant amount was transferred to the cultivators. Whenever, the money spent on cultivators increased, the net revenue showed a declining trend. Hence the share of cultivators' income from opium played a major role in determining the total net opium revenue in India. An increase in cultivators share is seen to be eating the total profits from opium.

As a specific case, it would be interesting to study the relative status of the cultivators during the period when net revenue earned by the British from opium trade was maximum. From Figure 3.6 we see that opium revenue hit peaks between 1878-79 and 1883-84 (peak production was in

⁹⁷ Note that the amount paid to the cultivator preceded the total revenue earned.

1880-81). During this period, the amount paid to cultivators gradually increased and then decreased. But compared to other periods (1876-77, 1884-85 or 1886-87) the amount received by the cultivators was not the highest. To understand these selected years, we need to explore those factors that contributed to the increasing net revenue earned from opium trade. We have examined a few factors below. They are area under poppy cultivation, conditions of production and yield trends. Figure 3.7 shows the change in area under poppy cultivation in Bengal (coinciding with the period in Figure 3.6). This figure does not provide a proper explanation to the fluctuation in cultivators share.

Figure 3.7: Area under Poppy in Bengal (in Acres) for the Period 1860-61 to 1889-90



Source: Watt (1972: 56)

From Figure 3.7 we see that the area under cultivation in Bengal was not the highest when net revenue earned was maximum (1880-81). The area under cultivation remained at an average of approximately 5,20,000 acres during the period 1867-1890. Neither were the conditions of production favourable to the cultivators during the period when production peaked. Chaudhuri (1970b: 248) says that in 1878-79 even amidst a poor harvest, the government insisted the cultivators to pay past arrears.

Poppy was also losing its favourable status as a profitable crop during the last decades of the nineteenth century.⁹⁸ Much of the state intervention in agriculture in Bihar was undertaken only

⁹⁸ Even with the government efforts to integrate the interior poppy producing areas with major commercial centers, the cultivators were earnestly looking to invest in more profitable crops. The

towards the end of the nineteenth century. This was more an attempt aimed at managing cultivation for external trade Robb (1988: 206). The state was not considered a key player in developing land as the peasants considered it the responsibility of the landlords to invest in land. Investment in new technologies was also not much favoured.⁹⁹

Does this increase in advances provided to the cultivators point to rising productivity? We shall estimate the average production during the period to understand what exactly happened? Production and earnings of poppy cultivators is examined in Table 3.5. These figures demonstrate that poppy cultivation was not significantly responsive to the incentives provided by the agency. Incentives did not directly influence total earnings of cultivators. Except for the year 1880-81, when the price per seer was Rs 5, the production seems to have been unaffected. However, it should be noticed that for the year 1860-61, when prices were lower, the production seems to have been better. From Figure 3.6 we see that the share of advances to the cultivator has not increased proportionately for the year 1880-81.

introduction of railways facilitated such interests as noted by Bayly (1983: 290). In addition, the crop also started facing extreme competition from cheap variants overseas. Opium was a hugely demanding crop, as far as the fertility requirement of the soil is concerned. The best land had to be allotted for cultivation. In addition to being a labour intensive crop, opium also required intensive cultivation, including repeated ploughing, water requirements, highly dexterous management etc to finally produce the drug. Bihar was prone to extreme climatic conditions and hence required careful management to protect the crop from floods and droughts. Maintaining the crop during a famine also was required.

⁹⁹ Robb finds out that in Bihar at least 770 Hindustan ploughs were sold in 1891-92. These ploughs were considered better than the Kanpur ploughs but were not as costly compared to sophisticated ploughs available in the market. However, he adds that the Bihari raiyats were more involved in borrowing the ploughs than buying it (Robb, 1988: 220).

Table 3.5: Production and Earnings of Opium Cultivators in Bengal 1858-59 to 1892-93

Year	Opium price/seer (in Rupees-Annas for Bengal)	Average Production per bigha (Bihar) in Seers-Chattacks	Average Production per bigha (Bihar) in Seers	Approximate Total earnings per bigha (in Rupees) for selected years
1858-59	3-8			
..	"			
1860-61	4	4 Srs 12.25 Ch	4.77	19
1861-62	5	4 Srs 9 Ch	4.56	23
..	"			
1865-66	4-8	4 Srs 14.25 Ch	4.89	23
..	"			
1871-72	5	4 Srs 2.75 Ch	4.17	21
..	"			
1877-78	4-8	3 Srs 5.5 Ch	3.34	16
..	"			
1880-81	5	4 Srs 10.25 Ch	4.64	23
1892-93	5	4 Srs 2 Ch	4.13	21

Source: Watt ed. (1889: 56) for 1860-61 to 1889-90 and for 1890-91 to 1892-93; RRCO Volume 2, Appendix 5, Table 5, pp325; for opium price/seer in Bengal, SA, 1892-93 pp56-58; as given in Gokhale Institute of Politics and Economics (Pune) (1981: 66-67, 131)

We conclude that there were factors beyond government intervention which played a role in determining revenue from opium and that the cultivator received a very marginal share of the total revenue earned. Policy of maintaining reserves to trade in lean seasons goes along with such considerations as the lack of responsiveness of cultivators to price incentives (Chowdhury: 1964).

We go back to where we have started: what influenced the dramatic increase in net profits from opium production and trade? This question would also help us understand why the cultivators share remained low during the same periods. To answer these questions we need to take into account the total opium exports from India.

Figure 3.8: Total Opium Exports (From Bengal and Malwa) for the Period 1859-60 to 1889-90

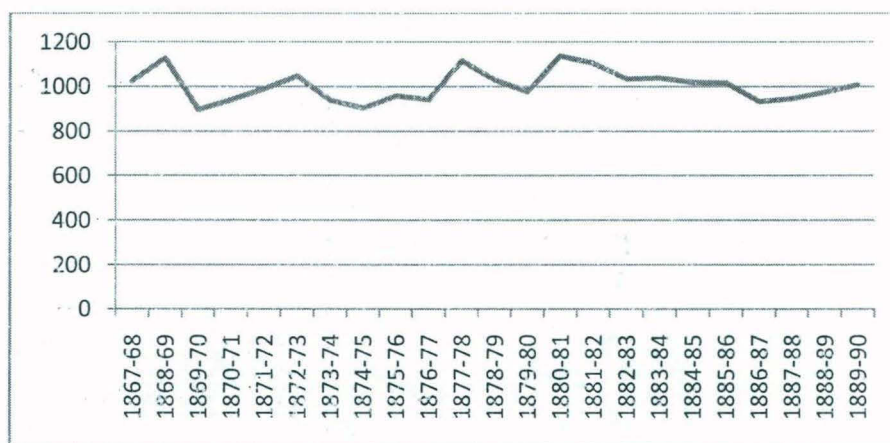


Source: Watt ed. (1889: 103) as given in Gokhale Institute of Politics and Economics (Pune) (1981, 28-29)

Figure 3.8 shows total export of opium from Malwa and Bengal for the period 1859-60 to 1889-90. To maintain an average number of chests exported, the supply from Malwa and Bengal was constantly adjusted and re-adjusted. The figure suggests that the total Malwa exports were continually rising and were on par with Bengal opium exports in the initial period. It appears that production for exports from Bengal responded to increasing produce of export opium from Malwa. This is noted for a few years after 1876-77 when Bengal exports peaked dramatically. And when production rose, revenue rose without adequate compensation to cultivators. Similar trend is also witnessed during earlier periods when any rise in export production from Malwa led to a panic response from Bengal (e.g. from 1860-61 to 1867-68). A possible explanation is that the British were concerned with the fact that quality of opium had the potential to capture the lucrative Chinese market (considering the superiority of the Malwa drug). Rising prices during the same period is rather indicative of the perceived changes in demand by merchants due to increasing quantity of opium that arrived at the ports for export. However, what happened in the final market was not directly reflected in this arrival. Price peaked in the ports especially when opium for exports from Bengal continuously grew. As seen this was in response to Malwa. We can conclude that rising prices and speculation at the ports due to such perceived change in

demand by the merchants affected total net revenue. As noted production in Malwa region was crucial to such perceptions.

Figure 3.9: Price per Chest of Opium 1867-68 to 1889-90



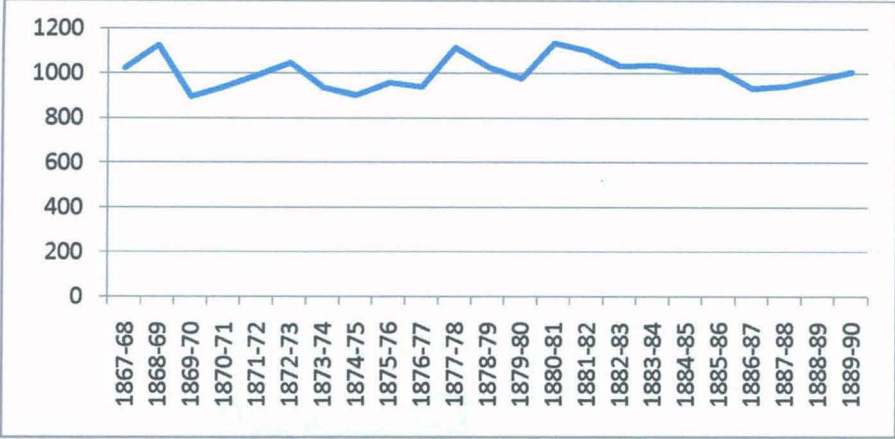
Source: Calculated from Richards (2004: 56, 57)

Hence for periods from mid-seventies to early eighties when total net revenue peaked and when there were no corresponding increase in cultivators share, we see that Malwa owes a significant explanation. Production changes were carried out in Bengal when export production in Malwa through British controlled ports reduced. Moreover, a significant effect of such expectation in demand is the rise in speculative prices at the ports. These rising prices as we have noted never filtered down to the actual cultivators.

We can conclude that the role of cultivators was crucial in determining the net revenue earned in opium trade by the British, however, for particular years when their incomes were the lowest, it was the direct result of speculation in prices at the ports. This in turn was dependent on the total supply of opium from Malwa. As mentioned earlier, the supply of opium from Malwa was subject to specific constraints. We conclude that the cultivators in Bengal bore most of the brunt in opium trade directly resulting from competition from Malwa.

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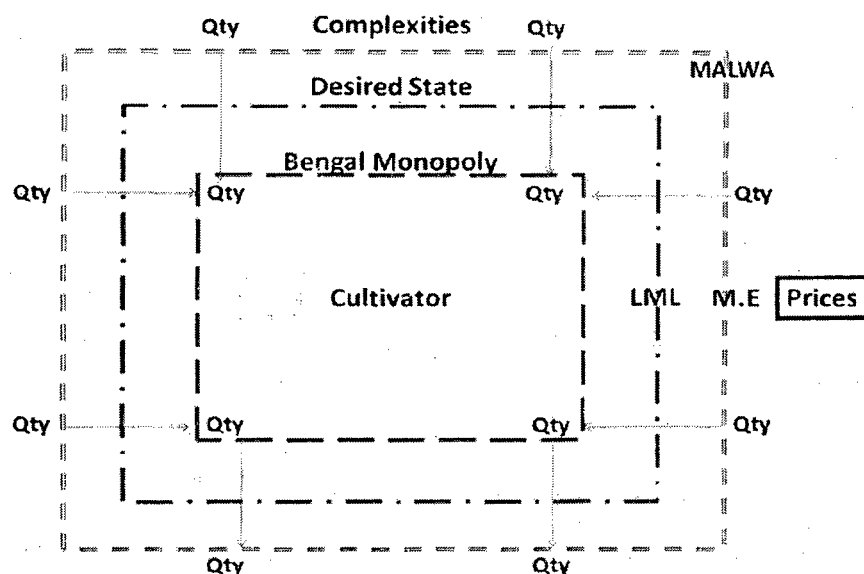
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3.6 Conclusion

We summarize our finding of the first objective in Figure 3.10

Figure 3.10: Relative Status of the Opium Cultivator in Bengal Monopoly



The opium value chain was a complex interplay of relations between indigenous actors, production in Malwa, and external trade. What appears to be a simple process of determining prices was in fact enmeshed in specific conditions under which these actors existed as well as in the agency's response to competition from Malwa. The incorporation into the world-economy reorganized production and trade in a particular manner. The MEs were most affected by trade; the LMLs were the least affected. The cultivators were the most important group. However, they were the most constrained as far as access to the market as well as generating profits was concerned. This as we note is mainly due to the vulnerability of the value chain to external challenges as well as the differential impact of policies on the various actors. Figure 3.10 indicates these challenges. The three rectangular loops represent constraints under which the opium cultivator in the Bengal monopoly functioned. The outer loop shows the complexities further introduced by the competing opium producing region of Malwa. The cultivators in the monopoly were shielded by the British by operating within an implicit desired state. However, Malwa loop operated outside the desired state, but it affected efforts of the monopoly to stabilize.

Hence the response of the British was to contain the quantity of opium produced in Bengal which was the only practical option available with them considering leakages from Malwa. We argue that the quantity constraint in Bengal was also influenced by the produce in Malwa.

Figure 3.10 also shows that each of these loops operated in such a manner as to influence specific actors in the value chain. The 'complexities' primarily affected all actors due to vagaries in quantity produced and traded, and specifically influenced the merchant entrepreneurs. The British attempt to reach the 'desired state' influenced the money lenders and landlords in Bengal through the administrative structure created by the agencies. The inner most loop show that the cultivators always operated amidst these constraints. He had to operate depending on both the complexities and desired state which finally determined what the extant of production should be.

In this chapter, we have attempted to capture the general nature of opium production under the Bengal Monopoly. The picture we provide is one where the cultivators ought to be the most vulnerable in the value chain. Such generalizations are abundant in literature that deals with commercial agriculture in the nineteenth century under the British. Our next chapter shall try to understand the problem of such generalizations by considering a leading group of cultivators who were involved in opium cultivation. We shall attempt to show that generalizations on commercialization may not be indicating the actual impact on specific groups.

Chapter 4

Cultivators of Opium and the Idea of Transition

“One of the great innovations in the technique of power in the eighteenth century was the emergence of “population” as an economic and political problem: population as wealth, population as manpower or labour capacity, population balanced between its own growth and the resources it commanded”.

Foucault (1979: 25)

4.1 Introduction

In the particular semi-feudal mode of production in Bihar during the nineteenth century, the relations of production were more important than the productive forces.¹⁰⁰ Very little seems to have happened to the constituent elements of the labour process.¹⁰¹ The ‘work itself, the subject of the work or the instruments’ used remained more or less the same throughout the period in which opium production was dominant (Hindess and Hirst, 1975: 11). Hence any casual observation illustrates that the possibilities for any revolutionary transformation to the semi-feudal mode of production were absent.

¹⁰⁰ “The relations of production define a specific mode of appropriation of surplus-labour and the specific form of social distribution of the means of production corresponding to that mode of appropriation of surplus-labour”.... “‘Forces of Production’ refers to the mode of appropriation of nature that is to the labour process in which a determinate raw material is transformed into a determinate product. ‘The elementary factors of the labour process are 1. The personal activity of man i.e. the work itself 2, The subject of that work and 3, Its instruments. Forces of production differs according to the manner in which these elements are combined into concrete forms of the production process: the forms of co-operation and co-ordination of the labour of several individuals, the form of articulation of the means and the object of labour with the activity of the labour and so on”....“ ‘Productive forces’ refer to the articulation of the elements and not the elements themselves”. (Hindess and Hirst, 1975, 10-11)

¹⁰¹ Hindess and Hirst (1975, 11) state that the transition from manufacture to modern industry involves a complete transformation in the form of combination of the elements of the labour process: from the unity of means of labour and labour power constituted by the tool to the unity of the means of labour and the object of labour constituted by the machines. In this process, the new system of productive forces formed by the capitalist mechanized industry involves a transformation of the articulation of the elements of the labour process.

In opium cultivation too it was no different. Surplus generated in the opium trade was also absorbed by the plurality of British enterprises, and foreign markets were dominated by British monopoly. However, the consequences of opium production cannot be concluded to be of silent disposition. The consequence of the incorporation into the world-economy was felt primarily not in the production process¹⁰² per se but in the manner in which the production process became organized i.e. in the combined articulation of the elements of the labour process. This happened through a particular manner in which the British agency exerted power on the cultivators and the manner in which the cultivators evolved in response. The evolution of the opium cultivators would not have occurred had the British not systematically recorded and projected the role of caste in India.

In this chapter we try to contextualize these aspects of opium production. **We shall show that the power relations that developed under the agency system was crucial in destabilizing the influences of the dominant semi-feudal mode of production and selectively insulating a group of cultivators from direct impacts of this dominant mode.** The outcome of this process was a 'preferential inclusion' of a particular group of opium cultivators into the state structure. This inclusion was beneficial in the future status of these cultivators. We proceed by first understanding the prevailing conditions (social and economic) of the cultivators and show how certain requirements (status) became mandatory for an opium cultivator to stay in business over time. For this their association with the agency was necessary. The agency benefitted in turn by establishing influence over the wider social-formation through balancing privileges extended to the opium cultivator, while separating itself from the internal power relations in Bihar.

4.2 Documenting Caste alongside Commercialization in Nineteenth Century

Social relations in organizing the production process in agriculture in India tended to be increasingly related to caste relations in the course of the century which was often legitimized through ethnographic studies by Europeans in India. Beteille (1996, 158-59) says that the efforts to document caste by Indian Civil Services (ICS) ethnographers (Ibbetson, Risley, Gait, Blunt, O'Malley, Hutton and others) often stressed on the ritual aspects of castes; its customs and rules.

¹⁰² See a discussion of this in Wallerstein (1986). He notes for example the ability of the system of advances (in the context of textile manufacturing) which reorganized agricultural production. An institutionalized system of advances hence holds the potential to affect the production on a grander scale.

This put in perspective a notion of caste that constituted a framework for organizing and understanding India. Hence the occupational role of specific caste groups became administratively convenient. This recognition of occupational roles readjusted the existing internal organization of production (in the relation between the landlord and the cultivator; or in the status of the cultivators themselves) favouring, at least a few in the course of time.¹⁰³ In the specific case of opium cultivation, the articulation of the elements in the labour process led to the rise of 'caste consciousnesses' among the cultivators. This created a "bounded solidarity" (Portes, 2010: 33) among the dominant caste groups in opium cultivation where individuals appropriated social capital by becoming part of a particular caste.

4.3 Economic Status of Cultivators and Cost of Cultivation of Opium in Bihar

"Poppy in the plains was a winter crop (Rabi)", and required meticulous effort in extracting crude opium (Richards, 1981, 75). Richards (1981: 74-75) characterizes the major features of this cultivation process. Skill and labour were the crucial inputs in cultivation. The demand was for the most fertile soil, one closest to the village, which was well manured and which in turn would fetch the highest rent. Intensive ploughing was required throughout the initial stages of cultivation. Once the crop reached maturity, opium extraction was a highly dexterous process¹⁰⁴. The poppy capsules are lanced¹⁰⁵ (at least three times) using special blades and the extract is collected and refined through drying as crude opium. A large number of cultivators were involved in cultivating opium in Patna Agency. The twenty year average number of cultivators during the period 1873-1893 in Patna was 699,000 Richards (1981: 79).

Chowdhury (1964: 48-49) points out that during the early years poppy was generally perceived to be an unprofitable crop and yet its production sustained. One of the factors that he stresses which created such a condition was the notable involvement of *Koeris* during the initial period. His contention is that the *Koeris* held a low social and economic status which was the reason

¹⁰³ Efforts to document instances where caste groups attempted to transition from less favorable environments to better conditions has been noted in studies by Cohn (1987)

¹⁰⁴ Grierson (1975: 241-242) explains the process as follows "The capsule is pierced, the milky juice is collected using a scraper (*situa*), sometimes bamboo scrapers are used called *pochhni*. The grain of the prepared opium is called *dhana* and its consistency is called *sukhwan*".

¹⁰⁵ These instruments were called "*naharni* or *laharam* or *narhanni*" in local parlance (Grierson, 1975: 241).

why the middlemen could compel them into opium cultivation during the early nineteenth century.

In the course of the nineteenth century while *Koeris*, *Kurmis* and the *Kachhis* were involved in opium production, the *Koeris* dominated the process in Bihar and their status as opium cultivators was being increasingly recognized and documented. The number of *Koeris* in Bihar in selected regions (Patna, Gaya, Shahabad, Tirhut, Champaran, Monghyr, Bhagalpur, Purniah, Santal) was approximately 844,329 in 1872 and increased to 958,624 in 1881 (Risley, 1981: 505, 537). Risley (1981: 501-504) describes the status of the *Koeri*'s alongside other caste groups. He says that mythically the *Koeris* were created by Lord Siva to care for radish and look after his garden in Benares. The *Koeris* were considered upper *Sudras*¹⁰⁶ with social privileges which made them respectable Risley (1981). Unlike the *Kurmi* caste, the *Koeris* were believed to be skilful in the cultivation of crops like tobacco, opium etc. than in staples (Dalton, 1973: 320). Given the privileges, it was only natural that the *Koeris* enjoyed tenure (occupancy rights on land), and were relatively better off than other cultivators. Risley's account, as late as 1891 pictures a caste that was prosperous, always in demand for share cropping, and scarcely falling into "lower status to the position of landless day labourers" (Risley, 1981: 504). Of the various possibilities, Chowdhury quotes from the Royal Opium Commission of 1893 that "the spirit of hereditation" dominant in India kept the *Koeris* attached to opium just like their fathers and forefathers (Chowdhury, 1964: 49). What is noted is that although they started off as poor cultivators, in the nineteenth century (Chowdhury, 1964), *Koeri* opium cultivators improved their social as well as economic status and at least in a few cases rose to the position of petty *zamindars* (Risley, 1981: 504).

As the dominant caste in cultivating opium the labour process in opium production got increasingly tied to the internal organization of this group of cultivators. This was mainly in the form of the social capital which the caste members gained in the course of greater recognition from the administration. While the agency appropriated the surplus by creating market for the product, it left the organization of production to the cultivator. The most desirable organization of production would have been one where the cost of cultivation was at the lowest. Caste played

¹⁰⁶*Sudras* are the lowest among the four groups in the Hindu Varna system

a major role in determining the cost of producing opium (Chowdhury, 1964) and led to the evolution of social relations of the opium cultivators.

4.3.1 Constructing some Assumptions on the Status of Opium Cultivators

Opium once produced under the agency system could be distributed only through specific routes. In most cases the cultivators had very little access to the final markets. Hence the price and profit calculations of the cultivators were dependent on the local conditions. The economic status of the cultivator then becomes important in production. Say for example, a cultivator of opium would set as a standard the demand for rent, cost of production etc to determine what his subsistence requirement would be. Such costs were fixed and had to be necessarily discounted from calculation of profits. A tenant with a poor economic status would find it difficult to take up and sustain cultivation of opium when these costs were high. The greater the extent of indebtedness the greater will be the difficulty in taking up opium cultivation.

The agency system overcame this very hurdle by providing interest free advances to cover the cost of production. However, this was not out of consideration for the multiple categories of indebted peasants, but more likely as a method to ensure production. The few who were lucky enough to obtain the licenses for opium cultivation could ensure its continuity and be part of the system of advances by demonstrating certain qualities over time. At most instances, we see that a large number of factors contributed to obtaining a license to cultivate opium. This included the past performance of the cultivator, judged on the basis of timeliness in meeting production deadlines; the extent to which production demands were met; the assurance of the *khatadars* regarding the capabilities of the cultivator etc. This indicates that the opium cultivator with the agency required a strong socio-economic status to ensure that he remained part of the agency. This status of opium cultivators was part of the bigger requirement of the agency to maintain the desired state in production and markets. As mentioned in the earlier chapter, it was not possible to maintain a desired state by the agency without minimum assurance regarding the production of opium, especially when it started contributing handsomely to trade surpluses. **Hence we can assume that majority of the opium cultivators under the agency, at least since the second half of the nineteenth century, had to exhibit a sound socio-economic position. For *Koeris*, their initial status as a deprived group proved ease of entry. The logical necessity to ensure the desired state made the agency to conveniently filter the heterogeneous cultivators into a**

single group of producers whom they could bank upon for continuous production. This was not based on a one time decision made by the agency; rather it was a two-way evolutionary process where the *Koeris* seemed to have benefited from the agency and the agency from the *Koeris*, which finally established the social relations that existed in opium cultivation during the nineteenth century in Bihar. We shall examine this process from both the cultivator's side and the agency's side and their coexistence which shaped the manner in which power was exerted by the agency.

4.3.2 Cost of Production and Profits from Opium Cultivation

We saw in an earlier chapter that in Bihar the agency spend a significant amount as advance to the cultivators. During the first five stages of the production process, as much as Rs 17 per bigha was given in advance (Watt, 1972: 92). The remaining amount was given to the cultivator when he brought his produce to the agency godowns. From Watt's work we assume that these figures are for the decade of 1880s. Given these figures, we shall look at the various cost estimates to understand the nature of profit creation in opium cultivation. Table 4.1 shows some estimates of cost of cultivating opium during the nineteenth century in Bihar. Table 4.2 can be used to compare these costs with other regions in India (native states) producing opium.

Table 4.1: Components of the Cost of Opium Production (per bigha in Rupee-Annas) in Bihar in Different Time Periods as Estimated by Various Sources

Estimate 1 (1818): Kennedy (Saran District)	Estimate 2 (1822): Fleming and D'oyly (Patna and Tirhoot District)	Estimate 3 (post 1880s): Guru Prasad Sen (Patna District)
Rent (Rs 7-7)	Rent (Rs 8)	Rent (and bribe to the headman) (Rs 10)
Weeding and watering (Rs1-12)	Labour cost (Rs 5-10)	Ploughing (Rs 6-9)
Extraction (Rs1-8)	Ploughs, Bullocks and Seed (Rs 1-8)	Watering (Rs 6)
Cost of Plough (Rs 1)	Wells and repairs (Rs 1-8)	Extracting Juice (Rs 5-10)
For squares and sowing (Rs 0-8)		Bullock maintenance (Rs 4)
		Lancing (Rs 2-13)
		Weeding (Rs 2-1) and manuring (Rs 2-13)
Approximate Total Cost = Rs12	Approximate Total Cost = Rs16	Approximate Total Cost = Rs 40

Source: Compiled from Chowdhury (1964: 30) and Richards (1981: 78)

From the table, we see that towards the final decades of nineteenth century, the estimated cost for cultivating opium per bigha was as high as Rs 40 per bigha.¹⁰⁷ At various stages before the final product was delivered, the agency provided the cultivator with less than half this amount as advance. Depending on the consistency of the final product, the remaining amount was given to the cultivator. The cost of labour would have been a major component in weeding, lancing, ploughing, watering and extracting juice. This labour component of cost for Patna is explicitly mentioned in earlier estimates while in the later estimates, it appears as a hidden cost in various activities. As shown in Table 4.2, the labour component is mentioned in harvesting and overall cultivation in the native states.

¹⁰⁷ The cost figures given by Indians are mostly biased upwards. The agency estimates of cost are more likely to reflect actual cost (with some mark up to incentivize the cultivator) as it was necessary in justifying the amount of advance to be fixed. Hence Rs 17 in advance in all likelihood has both a subsistence component and a small surplus to keep the farmer in production.

Table 4.2: Cost Estimates (in Rupee-Annas) of Producing Opium in the Native States

North West Province and Oudh (for 1 acre)	Central Province (for 2-3 acres)
Rent (Rs10)	Rent (Rs 4)
Harvesting (8 Coolies at 2 annas a day for 15 days (Rs15)	Wage of 2 men for 4 months (Rs 24)
Watering (Rs 9-8)	Hire of Bullocks for 4 months (Rs 25)
Ploughing (6Rs)	Weeding (4 times) 8 Rs
Manure (4Rs for 200 Maunds)	Leathern bag for wells; repairs; seed (Rs 7)
Clod-crushing, Seed, Sowing and Making water beds (Rs 0-12)	
Total Approximately 48 Rupees	Total 68 Rupees

Source: Watt (1972: 64-65, 67)

Any additional amount earned from opium to this total costs would count as his profit.¹⁰⁸ What is notable is that rent was not the major component of cost; on the other hand, we see that labour cost constituted the bulk of the total cost during the process of production. To enhance profit, the only way for an opium cultivator would have been to reduce labour costs in production.¹⁰⁹ However, there were no economies of scale in opium cultivation in the Bengal Presidency since the quantity produced was always fixed (as decided by the monopoly). Hence the cultivators did not possess significant flexibilities in altering the quantity produced theoretically. So there are various possibilities that the cultivators would have employed to minimize his losses from cultivation. We note below three possible scenarios.

¹⁰⁸ These estimates have to be taken only with a pinch of salt. One major problem with these estimates is that it cannot be used to calculate profits as we cannot precisely estimate the factors which determined rent. It was sometimes estimated on the basis of area under cultivation; sometimes on the basis of the produce; and most often collected from the tenants partly as kind and partly in cash. It is hence likely that most of these estimates under-predicted rent amounts. However, the use of such estimates cannot be undermined as it gives a rough estimate of the labour as well as other requirements in producing opium.

¹⁰⁹ This should be seen alongside real wages which existed in London for the second half of the nineteenth century which was much higher (3 to 4 times) when compared to that in Bengal. This justifies a precondition for the existence of the world-economy to gain surplus from unequal exchange (Gupta and Ma Debin, 2010)

1. **Abandoning Cultivation:** An extreme case in which a cultivator could save himself from the vagaries of opium cultivation would be to move away from the production of the crop: by abandoning cultivation or by migrating. But we see from the earlier chapter that a constant average number of cultivators always existed in producing opium. In addition we also saw from literature that the cultivator risked losing hereditary land if he moved out of cultivation. Under normal conditions, it is then highly likely that a cultivator would not abandon opium cultivation once he enters it. However, we see that opium could also have set the stage for forced commercialization, where a cultivator who wants to abandon opium cultivation finds himself more involved in it.¹¹⁰ **This would have prevented any new comer from taking up opium cultivation until and unless he was compelled to cultivate. These difficulties of entry and exit into opium cultivation could largely have been responsible for opium cultivation becoming the specialized economic activity of a selected group of cultivators.**

2. **Cost Reduction:** If abandoning cultivation becomes increasingly difficult, another alternative with the cultivator would be to decrease the cost of producing opium. We start by assuming that there were specific ways which allowed the cultivators of opium to reduce the cost of production. These specific strategies we shall note were exacted from the increasing role of caste in the production of opium and in the organization of the production process based on these considerations. **When caste is increasingly associated with occupational status, flexibilities within the caste organizations would aid reducing cost. This is what has been noted by Chowdhury (1964) who says that higher caste cultivators (Rajputs or Brahmans) had to use wage labour to cultivate opium. When the cost of labour was high, employing wage labour would make opium cultivation a costly affair.** A corollary from such an assumption is that the internal organization of production rather than ruining the opium cultivators could have provided them with a platform from which they could grow both economically and

¹¹⁰ I have used the thesis developed by Bhaduri (1983), to understand the possible route through which forced commercialization operates in opium. We note that forced commercialization operates in such scenario for a casual cultivator trying his luck with opium for the first time. A casual cultivator who is initially indebted could be involuntary absorbed by the market which either increases his indebtedness or forces him to substitute more cash crops for food crops (or any other profitable crops). The loss of hereditary land or being depeasantised is a possible outcome of this situation.

socially. This is noticeable in the case of *Koeris* who could always reduce the cost of labour by employing their own women and children. Caste taboos prevented the Rajputs and Brahmans from doing the same. We presume that people of such castes as *Koeris*, although they were socio economically backward during the initial decades of nineteenth century, instead of abandoning cultivation operated to ensure cultivation at a lower cost.

3. ***Smuggling and Evasion***: A third possibility is that the cultivators evaded the agency by producing greater quantities of opium and selling it to middlemen at prices much greater than the advances they received from agencies.¹¹¹ This seems to have occurred due to occasional confiscation of produce beyond certain limits. For caste groups specializing in opium production this would be much easier than for others.

We thus note that cultivators of opium had to readjust the production process in response to the demands of the agency system. The possibilities are that some of these cultivators started poor and remained poor, while some of them started poor and then progressed to better states. Those who progressed benefited from their better social status and recognition gained during their stint with opium. This was not a one-time process but an interaction between different stages in which the system evolved. **This illustrates that groups like the *Koeris* were all a favourable candidate for opium production as they started as vulnerable to coercion (where the above factors prevented abandoning cultivation) and became increasingly tied to the advantages that could be exploited from their caste status (reducing cost of production).** We note this evolution of the social organization of production in the following section.

4.4 Social Organization of Opium Production - Increasing Acceptance of Caste and the Exercise of Power

The outcome of opium production progressed through complex interactions between institutions (agency, caste, markets etc) and the agents (primarily the cultivators) through three different stages.

Stage 1: The first and the most prominent manner in which a change in the organization of production became visible was through the agency system. The earlier system of contracts did not have any direct impact on the organization of the production process. Opium was cultivated

¹¹¹ To pykars as noted by Chowdhury (1964)

unsystematically without any rules limiting the area under cultivation or the quantity produced. The agencies functioned as institutions to define and set limits. The system of licenses restricted the actual number of people who could cultivate opium under the agencies. The primary function of these agencies was to establish a monopoly in opium trade with the Straits Settlements and to China (Watt, 1972: 91). The monopoly served to remove potential competitors like the Dutch and hence restricted competition by reducing the number of buyers in the market. Buyers for the opium produced in Bihar were determined by the British monopoly through this process. However, as mentioned in the previous chapter, opium produced in the native states seriously affected the monopoly.

Stage 2: The second visible aspect of organizing production was the growing recognition of the agency during the initial decades of the nineteenth century as one of the loci of state functions. The agency tended not only to organize production of opium but also to keep in balance the internal power relations in the regions under opium cultivation. The control of production by the agencies saw to it that the cultivators of opium had certain privileges when compared to cultivators of other commercial crops. The agency had a semi-institutionalized credit arrangement with the cultivators, and also provided a system whereby the produce was conveniently marketed. They served to dispose a huge amount of cash to the cultivators as advances (noted in the earlier chapter)¹¹² and facilitated the generation of employment for several hundred thousand cultivators. In addition, as mentioned in the earlier chapters, Bihar was protected from severe famines through significant grain transfers from other regions. In the course of time, the agency started coexisting with the state structure which was crucial for shaping its power relations over the cultivators. The third stage operated simultaneously to consolidate this exercise of power.

Stage 3: The third and the most significant effect in organizing production was the growing tendency to associate caste with opium cultivation. This is the most significant effect as it had long term implications for particular caste groups. The caste groups (especially the *Koeris*) associated with opium production in the course of time became recognized for their commitment

¹¹² Richards (1981: 80) notes that opium advances transferred approximately 5 to 6 million in cash to the cultivators each year which “assisted the financing of rural economy” and “exceeded any other governmental source of credit”.

in agricultural occupations and their sturdy nature. Attaching such attributes to the caste strictly followed their performance in cultivating and delivering a crucial product on time.

While the agency organized production, it never attempted to control the internal power hierarchies in the region. All that the agency needed was to acquire enough opium to be sold in its markets abroad. **The administration of the agency thus existed alongside these considerations and cut across them using a sensitive balance between the privileges it extended and the controls that it maintained. Opium cultivators who became part of the agency with the increasing recognition of their caste thus partly evaded the wider semi-feudal organization of production.**

A complex process of interaction of the three stages marked the new form in which power was exercised by the agency. The first stage empowered decision making, the second stage incentivized and attracted favourable candidates, and the third stage consolidated and accepted the presence of these candidates. This power exercised by the agency was such that it never overlapped with the internal/indigenous hierarchies in Bihar and yet it very much controlled and maintained opium production at desired levels. We have seen that the new power relations were not completely repressive in nature, at least when considering the *Koeris*. The combined effect of the three stages could however have been repressive to several other groups of cultivators who were willing to enter the production but were crowded out.

4.5 The Effects of the New Form of Power Relations on Cultivators

This section is based on the assumptions we developed in the earlier two sections. First we chart out of these possibilities:

1. During the course of the nineteenth century, to enter and sustain oneself in opium cultivation, the cultivator needed to have a relatively strong socio-economic background.
2. Rent was not the primary concern in opium cultivation; on the other hand it was labour cost that severely restricted entry. Rent could be easily paid off with a small part of the advance amount.
3. It follows from (1) and (2) that not all found it easy to enter opium cultivation and that a new entrant without a strong economic backing could skip further into indebtedness. This was because abandoning cultivation was a difficult process.

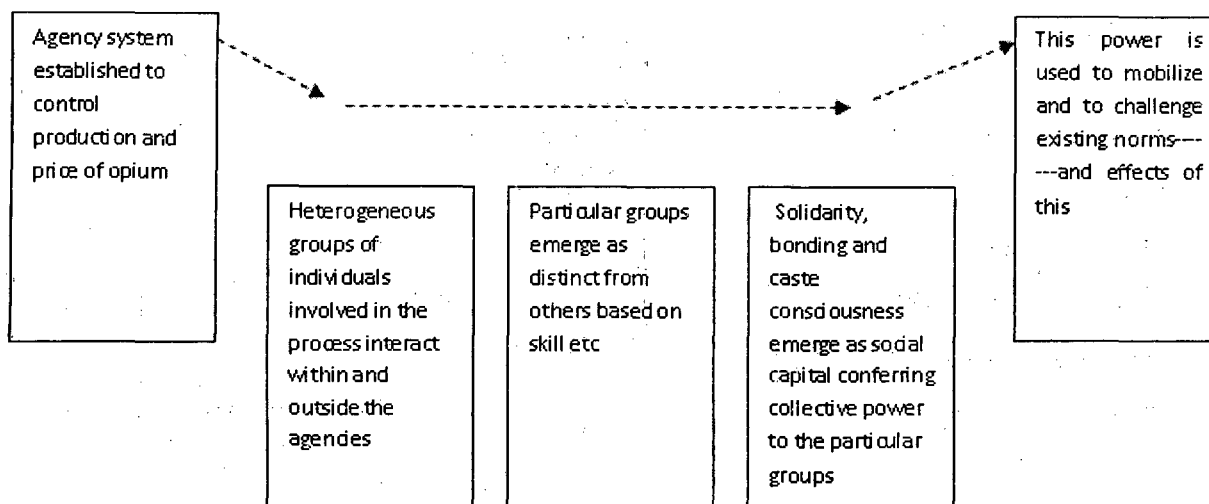
4. Specific caste groups found it better to continue cultivation than abandoning initially due to their initial vulnerability and later to their increasing social recognition with the documentation of caste.
5. The power of the agency evolved in the context of interaction between three stages in which opium production developed. The effects of these stages followed broadly in the order 'empower', 'incentivize', and 'consolidate'. This helped to cut cross internal power relations while maintaining an indirect control over the opium cultivator.
6. Particular group of cultivators of opium who could never abandon opium cultivation, in their association with the agency, bypassed constraints of the dominant semi-feudal mode of production.

Effects of Power Relations – Preferential Inclusion of Particular Groups

When caste groups like *Koeris* started being recognized and documented, they began evolving taking into account advantages (social capital) extended within their caste structure (Figure 4.1).¹¹³ Figure 4.1 shows how the agencies led to the consolidation of caste consciousness and solidarity among the opium cultivators. The figure is also predictive in nature assuming that these groups will be in a position to influence privileges at a later stage (we examine this possibility in the next section). The simultaneous development of the agency and their act of controlling the economy without direct involvement helped the *Koeris* to strengthen their position. Their advantage was mainly in the fact that the agency provided an alternative to cut across the semi-feudal agrarian structure in Bihar. The path taken by the *Koeris* in nineteenth century saw that they were incorporated into the colonial state structure at a greater pace than other groups increasingly due to their status as opium cultivators. **This historical process whereby the *Koeris* developed using the acquired social capital following a period of long term interaction with the agency was aided by the spill over effects of the new form of power. The effect of this was 'preferential inclusion' of a group of cultivators to the state structure.**

¹¹³ It is noted by Chowdhury (1964) how opium cultivators aided one another when in need of produce to extend to the agency.

Figure 4.1: Evolution of *Koeri* Caste: Unexpected Consequence of the Agency System



Source: Inputs from Portes (2010, 28)

4.6 Validating the Effects of Preferential Inclusion - The Status of *Koeri's* Post-Independence

In this chapter, we have tried to understand the *Koeri* caste, in the context of our thesis of 'preferential inclusion' of a group of cultivators into the state structure through a spill over of the particular form of power relations by the agency system. We see that our assumption regarding the *Koeris* are validated their socio-economic post independence. We acknowledge that an extensive field work is essential to establish this assumption with authority and certainty.

What is noticed is that the process of inclusion of the *Koeris* into the state structure has indeed taken place. Some of the references that can be cited in this regard are Jannuzi (1974), Frankel (1989), Bose (1991), Sharma (2005) and Sahay (2009). Jannuzi (1974: 60-61) has examined the status of *Koeri* landholders in selected villages in Bihar post-independence. The *Koeris* as he notes have benefitted not only from the land reform policies but also stood in direct competition with the Brahmans for posts such as village headmanship. Such benefits were imbibed by the caste due to societal recognition of them "as leading cultivators" as early as 1956-57. Their ability to maintain links with the government for providing rural development assistance have also turned in favour of them. Post-nineteen fifty *Yadavs*, *Koeris* and *Kurmis* improved their economic position and have been the dominant beneficiaries of the green revolution (Sharma,

2005; Bose 1991). Bose (1991: 380) sees the development of the *Yadavs*, *Koeris* and *Kurmis* as hegemonic in nature, where “economic power was gradually reflected in the political arena in Bihar”. Sharma notes that semi-feudalism seemed to be on the decline given the fact that there is large scale reverse tenancy where the highest incidence of leasing in of land is reported by these castes. It is worthwhile to note how Sharma has defined these castes.

“These sturdy and hardy castes, traditionally engaged in cultivation, have managed to produce more from cultivation than their upper caste counterparts. They have cornered a significant portion of the institutional credit. These developments have also affected the pattern of land distribution in the countryside.”....“As a matter of fact, the three upper-middle castes are the major beneficiaries of the land-losses suffered by the upper caste landlords/big-peasants, and they have significantly strengthened their position in the rural society.” Sharma (2005: 964)

What this progress indicates is beyond the scope of our thesis. But it suffices to say that opium had some implication in defining the future status of the *Koeris*. This again was a direct consequence of the possibilities that opened up for the *Koeris* during the century long process whereby they were selectively included as part of the wider state structure.

4.7 Conclusion

The story of opium cultivation in Bihar in the nineteenth century cannot be simply explained in terms of exploitation of the cultivating class by the colonial administration. Generalizations on the impact of agrarian commercialization under the British are abundant in literature. Most of these researches tend to understand exploitation of the cultivators in terms of surplus extracted through usury, coercion, bondage, involuntary market entry. While this of course defined the broad conditions of the cultivators in nineteenth century Bihar, we need to redefine exploitation in terms of privileges enjoyed by a small category of cultivators when compared to the others. These privileges were a direct result of the spill over effects of the nature of power relations exercised by the agency, where the dominant semi-feudal mode of production remained a mirage to people associated with the agency system. It would have been difficult otherwise for the agency to exist amidst resistance by the local elites in Bihar to foreign rule. The transition of the opium cultivators thus becomes worth examining. We have noted in the earlier chapter that the

nominal rate at which profit was created in opium farming was not significantly high. In most instances, the cultivators were willing to trade off opium for other more profitable crops. We have attempted to show that even amidst these possibilities, transition could occur not to the agrarian structure as such but in the socio economic-status of particular groups of people who become associated with the power structures created by specific institutions.

What we have attempted is to examine the process which contributed to the creation of these privileges. We specifically examined the case of the *Koeri* cultivators. The agency system subtly balanced itself between direct intervention on the internal power hierarchies in Bihar, and the indirect control which let the *Koeris* transcend the dominant semi-feudal mode of production. We understand these privileges in terms of 'preferential inclusion' of *Koeris* cultivators and have attempted to show that it benefitted them at a later time period. The socio-economic status of this caste post independence is a pointer towards the effects of these privileges.

Chapter 5

The Consequences of Agrarian Commercialization in Bihar

“Silence itself.....is less the absolute limit of discourse....than an element that functions alongside the things said, with them and in relation to them within overall strategies. There is not one but many silences, and they are an integral part of the strategies that underlie and permeate discourses”.

Foucault (1979: 27)

5.1 The Silence of the Development Discourse of Commercialization

We have mentioned earlier that the consequences of agrarian commercialization were not of a silent disposition where cultivators suffered absolutely. Narratives of resistance against domination are scattered voices amongst these silences. Beneath these narratives, the development discourse in Bihar during the nineteenth century cannot be complete until we consider the brewing undercurrents that were triggered in its already fragile economic and social system. This occurred as a specific effect of the spillover of power relations created by the agency system. The result of this spillover led to preferential inclusion/exclusion of its people within the structure of the state. Of course, it can be argued that the policy of the colonial regime was to make decisions that were convenient to them and hence the consequences were merely an indirect fall out of these decisions. The convenience argument (which works within the theoretical structure provided by the world-systems) proved unproductive in the short as well as long term due to a variety of reasons suggested in chapter 3. The objective outcome of opium commercialization was hence a ‘population’ that could be controlled (Foucault, 1979, 1967). Within this population, during the course of time, there developed characteristics that would otherwise have remained dormant. What this indicates is that agrarian commercialization during the nineteenth century in Bihar was a complex and fuzzy process without any particular trajectory.

5.2 Fuzzy Commercialization

A primary issue that concerns researchers studying India under the British has been to understand the nature of the impacts British rule often understood within theoretical frameworks that analyze development in terms of modernization of existing systems. Researchers hence look for factors that could help define the progress of modernity from pre-colonial to colonial and post-colonial periods. Any break, stagnation or a rapid change were usually defined in terms of the indicators used such as the development of markets, creation of commodity economy etc. Some have painted the picture with broad strokes to highlight a prosperous pre-colonial period while other focused on specific characteristics of these times. All that we have are a wide range of studies which at times contradict each other where the pre-colonial is used as a reference to define the changes in the colonial period. Likewise, the colonial era is used as a standard to account for changes in the post-colonial period. There are two aspects in our work which follows these patterns. First, we have developed the characteristics of agrarian commercialization during the colonial period taking opium as our case study. Secondly, our study understands the changes in the opium period as a continuous process extending past the colonial era.

5.3 Findings of the Study

Opium was a significant commodity in determining the financial stability of the British Empire in India. Research has time and again pointed to the fact that the huge revenues generated in opium trade have been influential in determining the status of the British as the core of the capitalist world-system during the nineteenth century. We have examined the story of opium production during the nineteenth century with two objectives. The broad results that emerged are discussed below.

1. The British opium monopoly in India was extremely vulnerable. From the beginnings of British attempts to produce opium, Malwa had proved a significant threat and almost continuously affected the organization of production in Bengal. The cultivators under the Bengal monopoly were the most affected as a result of these changes. The other indigenous actors either escaped these effects or profited taking advantage of the vulnerable cultivators. Much of the profits siphoned off by indigenous actors were cornered by the merchant entrepreneurs. Several well-known entrepreneurs of later years

made their initial profits in opium. The landlord/moneylenders were essential to administer production and were crucial in controlling the cultivators. The story of opium production under the British monopoly is hence understood broadly as one where cultivators were subject to vagaries and possibly as one of the epochs that could historically highlight the consolidation of the process of forced commercialization.

2. The second objective illustrates the flip side of this story. We have tried to create some possible assumptions to test the status of a specific group of cultivators who were involved in opium cultivation. We conclude that opium cultivation as an occupation became tied to caste over the nineteenth century. However, being part of any particular caste proved to grant specific advantages/disadvantages to the cultivators. This occurred alongside the growing importance of the agency system in opium production where the agencies exerted their power through a subtle balancing act where none of the agents within the production chain was offended even when controls were exerted strongly. This form of power relations had a spill-over effect on the population group closely associated with them. The result was a complex synthesis whereby a particular population group overcame the hurdles of a semi-feudal mode in the wider social formation of Bihar.

The present status of the *Koeris* in Bihar is indicative of such an evolution. However, we have not attempted to explain opium as the causal link but prefer to leave the issue open to further research.

5.4 Implications for Further Research

Our study on opium cultivation in nineteenth century Bihar has brought to the fore not only a number of issues for further research but also highlights a serious need to overhaul methodological reductionisms. We note at the onset the lack of any comprehensive study that has documented the present status of the *Koeris* with their opium past. Based on the results of this thesis we can assume that this link is likely to have played a crucial role in historical development of the *Koeris*. A comprehensive study would require extensive field based investigations. Further, any such comprehensive study would have to necessarily involve a cross-disciplinary approach, which should complement purely economic analysis of any observed phenomena. Mode of production framework has been critiqued primarily because of its stress on the 'economic'.

An evolutionary study of a particular caste group would have to take into account not only the existing data but also oral and written narratives with its different layers of meanings. This would mean venturing into the territory of anthropologists. Another vacuum in understanding such evolutions is the need to account for the changing power relations within the society and the specific forms in power exist. This calls for expanding the existing theoretical frameworks for changes in agrarian structure to incorporate power relations. An attempt in this regard is seen in the work of Kalyan Sanyal (2007). We conclude by noting that when all is said and done, any disciplinary crossovers may prove a completely futile exercise if it lacks the one most important ingredient that is required in research – passion.

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