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ABSTRACT

Modern historian s' efforts to identify and interpret monetary phenomena have grown under the powerful influence of two streams of thought regarding the precise nature of money and its ability to function in an exchange economy: one emphasizing the essential neutrality of money, and the other ascribing to it the capacity to produce real economic changes. In this paper, the treatment of two major themes in the historiography of Mughal money, that is, money supply and price movements, is subjected to critical scrutiny with the help of textual and numismatic material. The purpose of this criticism is to suggest that monetary theory is way ahead of our empirical knowledge about the money economy, and unless monetization as a cultural and commercial phenomenon also becomes a major focal point for historical attention, the domain of monetary history is likely to shrink down to mere macro-economic modeling.

INTRODUCTION

Early studies of money in India had been the preserve of numismatists for whom coins epitomised money, and metrology represented monetary history. Historians examining the economic transformation of non-European societies consider their contact with European capitalism as the defining moment in their economic development. In these writings, "capitalistic" economic behaviour, such as price movements according to supply and demand, markets for factors of production, migration in search of economic opportunity etc, often seem to reach non-European societies through contact with European state-building and capitalism. Economic historians have tended to draw our understanding of the historicity of the economic development process from the experience of the eventual currency policies. In empires embracing a vast territorial nexus and diverse customs, the standardization of currencies, exchange rates, weights and measures is essential for the smooth conduct of economic affairs. Standardization rationalizes economic exchange and reduces time and transaction costs. In pre-modern times, standardization often coincided with the establishment of effective sovereign power.

To a large extent, the credit for placing numismatic evidence in a wider context and raising questions directly relevant to monetary history goes to W.H. Moreland whose particular preoccupation with the indices of economic growth set up an agenda both for his contemporaries as well as for a future generation of historians. In this important and extensively documented work, aspects of Mughal coinage were described with the intention of highlighting their economic rather than purely numismatic significance. In his observations on the monetary economy, Moreland shared the prevalent view that India was a passive recipient of precious metals where the bulk of the imported gold and silver was hoarded or used for decorative purposes, with only a small part of it used for coinage and industrial production. Moreland's framework bore the deep impression of a century-long European scholarship on the character of non capitalist societies. Marx contrasted the role of precious metals in the European and Indian economies, while Max Weber considered the lack of necessary infrastructure as an important reason for India's inability to produce economic changes comparable to the European Price Revolution. Such is the general appeal of these assumptions that, in recent neo-mercantilist critiques of the specie-flow mechanism, the automatic link between bullion flow, price changes and trade balances was rejected with particular reference to the inactive monetary economy of the East. Possibilities of monetary change were, however, acknowledged by Moreland in an area which also saw the first application of the quantity theory to the study of Mughal money. European supplies of silver money were held directly responsible for raising commodity prices in Bengal and bringing them to the level of the rest of the Mughal Empire. As for Gujarat and northern India, the continued influx of silver failed to produce

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any significant change in the price level. The static level of economic production and a fixed velocity of coin circulation necessarily meant that the sphere of exchange was untouched by the absorption of precious metals.

Numerous studies have appeared in the past three decades which have enriched our understanding of the Mughal economy in general and the role of money in particular. Moreland's presence in the minds of Mughal historians, both as a challenge and influence, has naturally resulted in the rejection and refinement of some of his conclusions, particularly the one on the lack of dynamism in the economy. Indeed, the raison d'être of post-Moreland historiography has been the search for signs of growth within the economic structure or, possibly more, changes in the structure itself. One influential series of analyses, based essentially on inferences drawn from Persian sources and associated with the names of the Aligarh group of historians, located the possibilities of long-term growth within the existing economic structure and argued for a slow expansion in the Gross National Product (GNP) propelled exclusively by population growth . Although per capita productivity remained constant, a degree of mobility was imparted to the economy in the way state finances functioned. Articulated by a dominant fiscal system, the monetised tax base of the empire and the consumption pattern of the aristocracy stimulated commodity production and enlarged the circuit of exchange.

Money was incorporated into this model in two ways: as a historiographical counterpoint to Moreland, and as a theoretical acceptance of the place assigned to the quantity theory in Marxian monetary analysis. At the domestic level, monetisation was treated as a symptom of mobility in the economy, with the recognition that as an economic variable, it can be quantitatively conceived and measured. In the wider context, silver influx and price changes were perceived as part of a more fundamental process of capital accumulation which had a deeper theoretical and historical significance than was normally ascribed to it in the 'real' analysis paradigm. Thus, by sharing with Hamilton a conviction in the causal significance of money, Irfan Habib, diverged from the orthodox Marxist position of treating the Price Revolution as 'some incidental monetary process'.

With the premise of enquiry set between history and epistemology, the impact of Spanish-American silver on the Mughal economy was explored within the framework of the quantity theory of money, and with the help of the equation of exchange MV = PT. Since concrete historical data on the dynamic assessment of V and T are taken as almost non-existent at the present level of research, it is assumed that positive changes did occur in the velocity and volume of monetised exchange, with the use of credit instruments and the imposition of a cash nexus in tax collection respectively, and that each levelled out the other in the long run. The simultaneous exit of the two variables from the quantity equation placed the reciprocal relationship between M and P at the heart of all monetary developments in this historiographical tradition.

The quantity theory approach to Mughal money supply and prices invited a comparison between the scale of monetary circulation and inflation, measured respectively by using a numismatic-statistical method and by tracking changes in bimetallic ratios. In a manner reminiscent of Moreland's method of corelating museum specimens with foreign imports and price movements, Aziza Hasan computed all catalogued rupees from 1556 to 1592 (the terminal date was chosen with the assumption that the rupee did not become the principal medium of exchange till 1592), and assumed that this total represented the amount of silver money in circulation in 1592, relative to the totals of subsequent years.

To make allowances for recurring recoinage she made a standard deduction of 2.5 per cent from annual totals. Hasan was able to demonstrate that relative silver circulation in 1705 had increased by 200 per cent from the level in 1592, and that the movement of her currency curve corresponded to Hamilton's histogram of Spanish silver imports on the one hand, and fluctuations in the prices of monetary metals in the Mughal Empire on the other.

Hasan's work signalled a general endorsement of the quantity theory approach by Indian historians while, at the same time, making an casual attempt to integrate the Mughal Empire into the global economy of early-modern times . Historical and methodological problems associated with Hasan's approach were indeed debated, although the framework of her enquiry remained largely intact. Rather, it was reinforced with an improved database by Shireen Moosvi who worked out aggregate estimates of coined silver stock in the Mughal Empire. Moosvi's more refined and elaborate calculations showed that an increase of only 138 per cent had taken place in the scale of silver circulation between 1596 and 1705. The downward revision of Hasan's estimates was the result of a shift in the base year chosen to anchor the variables, from 1592 to 1596.

With the magnitude of silver money reworked, the question of its value assumed importance for the determination of prices. In the absence of an unbroken price series for a basket of commodities for any region of the empire, one straightforward method was to measure the value of silver against a stable standard. Moreland's study of copper prices indicated a rise in its value in terms of silver, but he related this to changes in the supply and demand of copper. In later studies, beginning with Habib's analysis of the silver price of copper and gold, the focus was shifted to the quantity and value of silver. As we saw, Habib was writing at a time when, following Hamilton's stimulating study of Spanish imports and their effects, the European Price Revolution was increasingly understood to be a function of the rising quantity of silver. Thus, gold, and to a lesser extent copper, became a stable medium while silver began to depreciate when its absorption in the monetary economy reached a threshold level beyond which lay the exclusive copper domain of petty transactions. From 1615, silver fell against both metals and, ipso facto, against commodities in general.

Once it was accepted that the rupee held its purchasing power till 1614, whatever increase took place in its quantity was of no consequence either to prices or to wages. Hence the total increase in M was reset by Moosvi at 45 per cent between 1615 and 1705, and the net increase, adjusted against population growth (here same as 1'), at 27 per cent. On the other side of the equation, the rise in the silver value of copper and gold was calculated at 110 and 33 per cent respectively between 1595 and 1705. The extent of a general rise in silver price (P) was then located within the band of these indices at 27 per cent .The quantity equation now stood fully balanced.

At this point, conclusions derived from diverse calculations were invoked to assess the extent to which monetary changes were able to influence the real economy of the Mughal Empire. With population already singled out as the sole determinant of growth, the assessment had to be anything but positive. However, unlike Moreland, who considered institutional factors-notably the extractive nature of the Mughal State apparatus in the agrarian sector and intrusive in the mercantile sector-as solely responsible for arresting economic growth, Hasan and Moosvi preferred a structural explanation in which an unchanging mode of production and distribution of economic resources impinged upon monetary movements to prevent positive growth in production and exchange. As the imperial revenue system was geared to mop up any additional income, thus in rural areas, the benefits of rising prices never actually reached the peasants. In the towns, which differed in character from their European counterparts, especially in providing stimulus for change, artisans working either for merchants or nobles experienced a fall in real wages, and whatever gains accrued from the difference between prices and money wages went entirely to the employers. Merchants stood to gain from a modest profit inflation but the impact of this on capital accumulation was too limited to break through the circuit of exchange governed by the needs of the ruling class.

Accumulation, the only engine of economic growth other than an ecological one, took the form of massive hoarding of precious metals by the aristocracy with practically no investment in sectors outside luxury consumption.

Constructed on the basis of limited empirical evidence, it can be said, with some justice, that it is the logical consistency and tight construction of the above argument which is responsible for its continued historiographical dominance. At one level, the over-reliance on internal factors undermined the importance of external trade in fostering the expansion of the economy by supplying it with the much required monetary media. At another, while the configuration of forces which placed the Mughal state in a position advantageous to monetising its tax base was acknowledged, the overemphasis on its extractive nature and dominance over the market diverted attention from the positive role it played, along with the mercantile groups associated with the money market, in monetary management. Above all, the lack of precision in understanding issues specific to the circulation of Mughal currency undermined the whole range of numismatic statistical analyses on the evaluation of money supply (M) and prices (P) and the conclusions derived from them.

The range of competing views on the relationship between the key variables of the Mughal monetary economy also revolve around the theoretical basis of the quantity equation in their attempts to offer alternative explanations based on evidence drawn from European sources . The immediate mercantile considerations of the European factors in India allowed them to record a wide variety of information on various aspects of the Mughal economy. The suitability of this material for a study of the Indian economy in the seventeenth century, as opposed to Indo-Persian sources, was already emphasised by Moreland, and this emphasis has been retained by historians who deal with Company trade in particular and economic and monetary issues in general. The most ardent advocate of the positive contributions of European trade to the Mughal economy has been Om Prakash who developed a general argument, based mainly on his studies of the Dutch trade in Bengal, for a growth in output, income and employment, induced by the bullion imports of the companies. This model of the Mughal economy located possibilities of long-term growth within the exchange sector and outside the influence of the state, and has been endorsed recently by the recognition that European trade was an important aspect of Mughal economic development.

A crucial aspect of this analysis is the denial of price inflation in the seventeenth century. Moreland, who essentially subscribed to this view, studied the prices of Sarkhej indigo and found no perceptible sign of any long-term change. Similarly, the treatment by Van Santen of the prices of rice, wheat, clarified butter, millet and sugar sold in the markets of Gujarat suggested a more or less stable trend. The other region for which a similar study of food prices had been undertaken by Om Prakash is Bengal, and here too no discernible movement is noticed. Even though the regional studies of Moreland and Van Santen cover the first half of the seventeenth century and that of Prakash begins with the second, they collectively present a powerful case for stability in price trends in the seventeenth century. Since this approach is also based on the application of the quantity theory, the link between money and prices is not denied explicitly. Rather, the stability of prices (P) is treated, in the face of growing money supply (M), as an indication of an expansion in the volume of commerce (T).

The 'mercantilist' approach is marred by its reluctance to marshal impelling evidence on key variables of the 'real' sector, such as production, income and employment. European trade and real growth are linked by a Keynesian variation of the quantity theory of money and we are once again left in the dark about the transmission of the effects of foreign trade on the monetary economy, and of the latter on the real economy. Thus, in the end, it can be argued that the post-Moreland treatment of the Mughal monetary economy has followed two distinct lines of reasoning, albeit sharing a more or less common methodology.

In the first, the emphasis is on price changes which neutralised the impact of money, and the slow growth in the economy driven essentially by real factors. In the second, price changes are denied, and the influence of money is shown to be much greater in stimulating economic growth. In both historiographical traditions, relationships between variables are posited to conform to the principles of a monetary theory and also to a given structure of the economy.

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