The enclosed material is the unedited text of Chapter 1, ***India and the World Economy from Antiquity to the Present*** *(Tirthankar Roy) forthcoming from Cambridge U.P.*

INTRODUCTION: INDIA AND GLOBAL HISTORY

Global historians remind us that cross-cultural exchange of goods and ideas by means of trade, conquest, migration, and investment forms an important part of human history. Almost all significant examples of change in the conduct of material life contain elements of borrowing. Equally, the desire for goods and services acts as a strong motivation behind attempts to establish new channels of transaction, sometimes by force.

The Indian subcontinent has long enjoyed a pivotal place within overlapping webs of cross-cultural exchange. A coastline thousands of miles long, convenient access from West Asia, Central Asia, Africa, and East and Southeast Asia, the presence of skilled craftsmen, a robust mercantile tradition, states formed by warlords and noblemen of foreign origin, and kings who sponsored and protected merchants, secured the strategic position of the world economy in Indian life and of India in the world economy. Classics of Indian literature are replete with the heroic undertakings of the itinerant trader. Sanskrit and Persian works on statecraft set out kingly duties towards the merchant. Medieval ballads recorded how fortunes were made, and lost, in a business environment that posed great risks, and yet promised huge returns to those intrepid enough to take the risks.

From the sixteenth century, Portuguese mariners, followed by the English, Dutch, French, Danish, and American merchants joined the commercial world of India. At first lured by the extraordinary profits that Asian spices and silk fetched in European markets, they found in Indian cotton cloth a means of payment for the spices, and a promising consumer good in Europe. As states in Europe as well as those in India plunged into warfare in the eighteenth century, rivalries in trade spilled over into contest for territories and led to the colonization of large parts of India by the English East India Company. Directly or indirectly, the empire enormously expanded channels of transaction. Even after Indian cotton cloth ceased to be in demand, new channels of transaction emerged as markets for new commodities and Indian labor came in contact with British capital and technology. India became a force in global capitalism again, if on a different foundation.

India, this sweeping view would suggest, was a point of intersection of many transactions across many cultures; and therefore, a useful example for global historians. And a useful way to study Indian history is to study the region in its interactions with the world. Indeed, there is hardly any other way of reading Indian economic history. The present book explores this two-part project. In turn, the project translates into a number of specific questions, each one quite wide in scope. The history of India's transactions with the outside world is thousands of years old. Can we fit all these years into one narrative? Are there common threads that run through such a narrative? Are there elements that make it a distinctively Indian story? Would that story tell us when the big transitions occurred? How do we distinguish the modern from the pre-modern pattern of exchange?

These questions have not been addressed together so far. Writings on Indian economic history emanating from the region-bound scholarship have been preoccupied with issues of land control and land revenue. Within that intellectual tradition, there have been notable attempts to read long-term patterns of change, the pioneering works of William Moreland and D.D. Kosambi would come to one's mind.[1] But these attempts were focused on the relationship between the land and the state, confining foreign trade to a place on the margins of a fiscal system dominated by the taxation of agriculture. The capacity of the plough to sustain urban societies drove these visions of rise and fall of states, dynasties, empires, and civilizations. The two pioneers named above, and others influenced by their reading of long-range history did not exactly neglect trade; but they did not offer a definite perspective on long-distance trade before European entry either. The oversight persisted into the historiography of the Aligarh School dealing with medieval Indian economic history. A good argument can be made that by shifting the focus of economic history from land to trade we should be able to bring into the story of

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[1] William H. Moreland, *India at the Death of Akbar: An Economic Study*, London: Macmillan, 1920, and *The Agrarian System of Moslem India: A Historical Essay with Appendices*, Cambridge: W. Heffer & Sons, 1929; D.D. Kosambi, *An Introduction to the Study of Indian History*, Bombay: Popular Book Depot, 1956.

economic change in the long run a relatively neglected, and yet a very important and very dynamic equation, the one between the land and the sea or that between the settled and the mobile components of society. We should, then, see how the world of coastal commerce responded to and contributed to state formation in ancient, medieval, and modern India, eventually reaching a point where seafaring merchants could take control of land-based states.

If such is the situation with Indian economic history, few global historians would dispute the proposition that the Indian subcontinent holds interesting lessons for their discipline. But few global historians venture beyond the last two or three hundred years in order to draw out the lessons. Few have asked long-range questions like the Indianists have done. Frameworks of interaction concentrate on the problem of 'the modern', and tie the notion of the modern to European ascendance in the Indian Ocean, as if only one epochal transition should really matter to the reading of Indian history. In other words, they have not yet tried to tell the story of globalization from a regional perspective.[2] In order to see why a regional perspective should matter, a fuller discussion of these frameworks is necessary.

Envisioning contacts

Serious interest in cross-border economic exchange goes back to the classical economists of the nineteenth century. The *Wealth of Nations* by Adam Smith, for example, makes many remarks on the English East India Company and the trade between Europe and Bengal in the eighteenth century. Such interest stemmed from the belief that market integration, unencumbered by monopoly and regulation, was a foundation not only of modern economic growth but also of transmission of the growth impulse worldwide.[3] The theory would predict convergence between countries in their

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[2] I use the term 'globalization' in the generic sense of an increase in long-distance exchange of goods, services, labor, capital, and knowledge. Recent attempts to define the term employ it to explore the implications of increased transactions for the nation state, a problem not relevant to the present purpose. See J. Osterhammel and N. Peterson, *Globalization: A Short History*, Princeton: Princeton University Press, 2005, for more discussion.

[3] 'Modern' economic growth is defined as growth based on the productivity of resources rather than the accumulation of resources. A great part of comparative economic history today explains the genesis of modern economic growth and uneven spread of growth in the world with reference to the uneven distribution of factors necessary for modern economic growth to start. Such factors include the cultural makeup of entrepreneurs, energy resources, fertile land, and private property right. For further readings

average levels of living as they traded more. Although the idea found some relevant fields of application, on a world scale, it encountered the problem that the world did not become more equal as it traded more. Most critiques of liberalism inserted a political element into the story of market integration in order to explain the anomaly. Usually, that political element came from a concept of European politics and state system.

According to one of the more widely used conceptions, the rest of the world was 'incorporated' into a politico-economic development that began in early modern Europe, the culmination of which process was the European empires.[4] Whereas the economic relationship between the ruling core and the colonized periphery in the pre-modern empires had often been based on fiscal-militaristic ties, in the modern European empires the relationship was capitalistic, that is, based on commodity trade, capital export, and labor migration. Cross-border economic exchange was an explicit aim of these empires, which are seen as expressions of a type of state that lived to advance capitalistic market integration.

Using the nineteenth-century-empire as a tool of economic history can be questioned on the ground that the empire itself is left unexplained, and somehow unconnected with trade and empire in other times. The concept of the 'world system', introduced in the 1970s, bypassed this difficulty by tracing the origins of modern forms of international economic exchange to European commercial expansion, which took off in the 1500s. The emergence of a worldwide pattern of exchange dominated by European agents and supported by European states defined the modern capitalist world economy.[5] This is more or less where the 'grand narrative' of globalization in the long term stands today.

I take from these formulations the insight that states make a crucial difference to market integration. Beyond that point, these ideas – empire and world system – do not suit the purpose of the book. First of all, the pursuit of a grand narrative in global

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on entrepreneurial culture and institutions, see Douglass North, *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press, 1991; Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*, Cambridge: Cambridge University Press, 2006. On a modern argument about resources, see Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy*, Princeton: Princeton University Press, 2000.

[4] See, for example, Immanuel Wallerstein, 'Incorporation of Indian Subcontinent into Capitalist World-Economy, *Economic and Political Weekly*, 21(4), 1986, pp. PE28-PE39.

[5] Immanuel Wallerstein, *World-Systems Analysis: An Introduction*, Durham: Duke University Press, 2004.

economic history is more or less driven by a need to explain the genesis of world economic inequality. The present book is not about world inequality. If our main interest is not inequality, then looking at the world through the prism of hierarchical arrangements between places, as the economic history of empires and world system theorists tend to do, would not be very useful. Rather than a model of a European core and an Indian periphery, a more flexible conception that allows economic emergence all the time would suit this project better.

Furthermore, the histories of world capitalism and empires tend to explain inequality by means of a concept of 'incorporation' of a region into a Europe-centerd world economy. This approach, which places one huge epochal change at the center of the history of transactions, has been questioned by sympathetic critics.[6] For a region like India that has been doing business with the outside world for two thousand years, we cannot assume that the history of interactions had only one turning point. Such a belief entails reducing all of the 'pre-modern' into a featureless period, as well as a misreading of what the modern meant in Indian history.

Through the mediation of concepts such as 'empire' or 'world system', the world enters Indian history via a stylized 'Eurocentric' idea of the world rather than a historically and geographical particular idea of India. The aim of global history, then, is to show how the world economy was constituted and how it changed. We run the risk of losing a specific sense of the region when trying to fit many diverse units that composed India into the larger picture of exchange between Europe and India. This is a serious issue if the region is in fact as large and as heterogeneous as India. We need an account of transactions that could avoid creating cleavages between region history and global history.[7]

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[6] Major recent works moved away from the idea that significant forms of interaction in Asian regions began in 1500 and with the coming of the Europeans. See Janet Abu-Lughod, *Before European Hegemony: The World System A.D. 1250-1350*, New York: Oxford University Press, 1991; André Gunder Frank, *ReOrient: Global Economy in the Asian Age*, Berkeley and Los Angeles: University of California Press, 1999. Such rethinking also finds that South Asia fits any model of the world economy poorly. Christopher K. Chase-Dunn, Thomas D. Hall, and E. Susan Manning, 'Rise and Fall: East-West Synchronicity and Indic Exceptionalism Reexamined', *Social Science History*, 24(4), 2000, pp. 727-754. The lack of fit owed to the geographical positioning of India which made the region access a variety of trading networks not necessarily connected with the Eurasian ones.

[7] An interesting example of such cleavage is the divergent ways that leading texts in global history account for the decline of the Indus Valley civilization, though all relied on region-centric archaeology. See Padma

This book, it should be clear, hopes to offer a somewhat different narrative of globalization in the long run. It is global history with the axis located in one region, rather than in a conception of the world. The goal is to show how a people that tended to share some cultural practices, institutional traditions, resource endowments, and political heritage engaged in transactions with those who hailed from different backgrounds. It shares with global history the premise that a great deal that any 'settled' population consumed or made productive use of arose from contacts with the more 'mobile' and 'foreign' elements. And yet, what was borrowed and with what effect, could not have a uniform character across space, being shaped also by institutions, geographies, cultures and traditions that were often deeply rooted in space. I cannot claim that all these regional markers are adequately discussed here, but they do play a relatively larger role in the present narrative than do exchange relations as such. Using Patrick O'Brien's distinction between analytical narratives of global history, I would place the present work nearer a history of 'connections' than 'comparisons'.[8] It is, however, a story of connections mediated by a host of local constraints, upon which the emphasis of the present work falls.

In spirit, the project is closer to the scholarship on the Indian Ocean in its preoccupation with a large region's endogenous structures and dynamics.[9] But this is not maritime history. It is as much concerned with land as with the sea, and even more, with the relationship between the land and the sea. Nor is this a history of trade; its interests encompass all axes of globalization including trade. In its orientation, the present work is distinct from the Indian Ocean scholarship also in its interest in the pre-modern and the post-colonial, whereas Indianist maritime history remains anchored in the European era in the Indian Ocean.

Manian, 'Harappans and Aryans: Old and New Perspectives of Ancient Indian History', *The History Teacher*, 32(1), 1998, pp. 17-32.

[8] 'Historiographical Traditions and Modern Imperatives for the Restoration of Global History', *Journal of Global History*, 1(1), 2006, pp. 3-39.

[9] K.N. Chaudhuri, *Trade and Civilisation in the Indian Ocean: An Economic History from the Rise of Islam to 17*50, Cambridge: Cambridge University Press, 1985; Abu-Lughod, *Before European Hegemony*; Kenneth Macpherson,*The Indian Ocean: A History of People and the Sea*, New Delhi: Oxford University Press, 2004; Ashin Dasgupta, *The World of the Indian Ocean Merchant 1500-1800*, New Delhi: Oxford University Press, 2001.

The scope of the book is comparable with that of the region-centric studies of globalization offered by Anthony Reid on Southeast Asia or Joseph Inikori on Africa.[10] Like them, I aim to write a 'longue durée' narrative wherein the world is one of the main ingredients in a large region's economic transformation. I find Inikori's distinction between trading system and economic system, and the suggestion that the one did not necessarily induce changes in another, useful. The distinction between land and oceans, which is a frequently used organizing concept in the present work, likewise shows us that the two worlds followed sometimes independent and sometimes intersecting pathways. That being said, this book does not share Inikori's particular interest in the modern era defined by European intrusion, or Reid's in 'the age of commerce'.

The easiest way to launch a project like the present one is to start with geography.

[MAP 1.1 ABOUT HERE]

Early trade

It is a cliché, but bears repeating, that the Indian subcontinent is not one homogenous region. It is geographically diverse, and partly because of geographical diversity, culturally diverse as well. All parts of this complex whole did not engage in transactions with the outside world quite in the same extent or in similar fashion. Even as late as 1700, mainly the littoral regions engaged in foreign trade, the Gangetic plains traded with the littoral regions, and the central and southern Indian uplands traded with few, if any, outsiders. The nature of merchant firms and their interests diverged between the coastal regions, where merchants engaged in maritime trade, and the capital cities, where they served the fiscal system and grain trade.

The relationship between parts of the region that did transact between themselves, and those that did not, changed continually. Before 1800, a history of transactions was mainly a history of trade; after 1800 it was also a history of mobile

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[10]Reid, *Southeast Asia in the Age of Commerce, vol. I: The Lands Below the Winds*, New Haven: Yale University Press, 1988; and Inikori, 'Africa and the Globalization Process: Western Africa, 1450–1850', *Journal of Global History*, 2(1), 2007, pp. 63-86.

labor and capital. Before 1600, the history of maritime trade was a history of the Arabian Sea and the Bay of Bengal; after 1600 it was a story of growing interconnections between the Atlantic, the Indian Ocean, and to a smaller extent, the Pacific Ocean. Before 1950, a history of transactions was mainly a history of private enterprise. For the next thirty years, the most vital forms of international economic relations occurred under the aegis of the national government, a new concept in the region.

Given the quality of historical sources available, a long-range narrative should perhaps begin with commodity trade around the beginning of the Common Era. A glance at the map of the South Asian landmass will tell us that the most obvious geographical asset relevant to long-distance trade was the region's strategic location in the Indian Ocean with convenient access to East and West Asia. Comparatively, overland transportation was a relatively minor business and a weak integrative force almost anywhere in the region before the railways in the nineteenth century. Overland transportation can be divided into three classes: wheeled carriage, caravans of pack animals, and boats plying the rivers. Wheeled carriage was of marginal use in the uplands of central and south India. The numerous large rivers made the deltas unsuitable for road traffic. Caravans of bullocks and camels traversed the east-west and north-south roads as far back as one can see. But even in the best of conditions, caravans did not carry more than a tiny proportion of the produce of land (see also chapter 6). If much later data are any indication, costs of carriage of goods per ton per mile was several times more in caravan traffic compared with carts, and that for the carts several times more than those in boats. Major agricultural produce such as grain and industrial raw materials, therefore, moved across space to a limited extent.

From the beginning of the Common Era, if not earlier, trans-Himalayan caravans carried valuable goods like horses and silk along one of the six major trade routes that connected the plains of India with Tibet, China, and Central Asia. But even in the best of conditions, the cargo capacity of cross-border caravan traffic was extremely limited. Ordinarily a horse or a camel would carry 100 kgs of goods, much less than that quantity in a Himalayan journey. On that assumption, one average-sized ocean-going ship of the early era would be equivalent to several thousand animals in cargo capacity. The peak scale attained by the Himalayan caravans in the more recent times would not exceed one hundred thousand animals. In volume, then, trans-Himalayan trade was small compared with maritime trade. Such comparisons should not mean that it was unimportant in itself. Overland trade was important to the consumption and livelihood of the mountain societies, and it carried valuable and coveted merchandise like war horses.

The corollary of the marginality of roads was that navigation was relatively speaking a more effective and widely used means of bulk transportation, whether we look at the interior of the subcontinent or consider foreign trade. The ancient trading zones in India formed around two critical resources, a navigable river, and a port located on the estuary of the river, or near it. Coastal trade, caravan trade, and port-to-port 'looping' trade increased the options of movements of cargo, but in the main, the ports used the rivers adjacent to them to bring in supplies of food and traded goods from the interior. The physical link between the sea and the land was achieved by means of the rivers more than the roads. Cambay/Khambat on the river Mahi, Surat on the Tapi, Broach/Bharuch/Bharukacchha/Barigaza on the Narmada, Arikamedu on the Ponnaiyar, Tamralipti/Tamluk on the Rupnarayan, Saptagram on the Saraswati, Masulipatnam in the Krishna delta, Hooghly on the Bhagirathi, Balasore/Baleshwar with easy access to Budibalang and Subarnarekha, Sonargaon on the Shitalakhya, Old Goa on the Mandovi, the Malabar ports Muziris (exact site still debated) and Kollam/Quilon on the inland waterways – all of these sites were within easy reach simultaneously from the sea and from the inland via the rivers on which they were situated.

The positioning of ports on inland waterways carried advantages other than easy access by the river to the interior. The delta soil was usually better for cultivation than soils further inland, so that much food and even some raw materials could be grown locally. A slightly inland location as opposed to one that opened out to the sea provided a shelter from storms and pirate attacks. In the Ganges and the Indus plains, maritime trade was well connected with river-borne trade deep into the plains, because these rivers were navigable with boats for hundreds of miles. Even when the river itself was not navigable for more than a few miles, the river valley supplied easy access to the interior by land. Many caravan roads followed the course of the rivers. Such pattern of location of commercial hubs also carried risks, however. One common reason for the decline of the ports was the silting of the rivers, which happened often in the Gangetic delta. Changes in the navigability of the rivers affected the integration of regional and maritime trade networks, even when such circumstances did not necessarily stop contacts with overseas trade.

This pattern of land-and-sea integration imposed a seasonal rhythm upon trade. River-borne trade was seasonal, so were the seaports. Historians of trade have noted the significance of the monsoon wind for navigation in these seas, a field of knowledge that the seventeenth century European visitors to India needed to master. Another source of seasonality, which the Europeans did not need to know and the modern historians tend to overlook as well, was that inland navigation depended on the rains. The summer months did not bring a lot of valuable goods from the interior because most peninsular rivers dried up. Owing to such pronounced seasons, a large and permanent urban settlement did not always form at the sites of even the most considerable ports. Many of them had the character of a seasonal fairground. Further, the spatial reach of these rivers was limited in peninsular India. Even the largest of the rivers were not navigable beyond a hundred odd miles. Some of the smaller ones were not navigable beyond a few miles.

While the port-hinterland nexus enabled valuable trade, it was biased in favor of articles with high value-to-bulk ratio. Spices, silks, pearls, diamonds, fine ceramics, and gold, entered trade easily; cotton cloth came a favorite where there was local cultivation of cotton. But grain was as good as missing except in meeting the needs of the mariners and merchants in the port cities. Trade remained largely unspecialized. It made economic sense to spread and capital. A huge variety of goods, individually in small quantities, sold at the seasonal fairs and was carried by ships into maritime traffic. The opportunistic nature of trade made commercial relationships of a contingent and impermanent kind. Auctions and spot sales, rather than long-period bulk contracts, were far more common in the fairground trade.

The limits on volume imposed by the dependence on rivers necessitated only simple ships and rudimentary harbours. A study of shipping design and size in the Indian coasts suggests that the shipwrights concentrated on making use of monsoon winds rather than ocean currents. The pre-occupation with adaptation to local geographical constraints made Indian shipping pay less attention to long-distance voyages and the challenges that such voyages entailed. While adding a lot of value in what it did, the Indian trading system was technologically incapable of venturing beyond the Indian Ocean or taking on voyages that might take months rather than weeks.

Ships built in India, with some exceptions, were much smaller in construction than those being built in Europe after 1400 CE. Indian ship design was very diverse and resistant to change until the seventeenth century. Some of the variations between designs commonly found among different maritime communities on the coast could be explained by local geography, by such factors as the height of tides or the force of the monsoon. Along with variations in local geography, there were also institutional obstacles to the exchange of knowledge among artisan communities. Barriers took the form of limited social intercourse, when artisan guilds coalesced with caste and community, and thus limited the exchange of apprentices amongst communities engaged in similar or related activities.[11] Along with shipping, the technological standard of the harbors was rudimentary too. In most ancient ports of India, the harbor was a makeshift affair, destroyed in storms and rebuilt quickly. The prospect of weather-induced damage, the small size of ships, and the makeshift nature of the harbor reinforced each other.

A similar diversity characterized internal navigation. In this sphere again, the ship-building tradition was a fragmented one. The average scale of construction was small, and numerous local techniques co-existed side by side without seemingly borrowing ideas from each other. Once again, the variety of models was at least partly an effect of adaptation to the extremely variable local conditions. Within a relatively small region like Bengal, the larger sized boats that plied the Ganges were ill suited for the rapid and shallow waters of the rivers of Chotanagpur, where small and flat clinker-built boats served better; and the boats that managed the Ganges or the Damodar could not be used in the narrow creeks of the Sundarbans, where low but deep boats worked better. Neither of these worked well in the treacherous waters of the deltaic eastern Bengal rivers.

With shipping and harbor technology so tied to solving local problems, direct Indian participation in maritime trade remained confined to the Indian Ocean. But

[11] Tirthankar Roy, 'Knowledge and Divergence from the Perspective of Early Modern India', *Journal of Global History*, 3(3), 2008, pp. 361-87.

having to be restricted to Asia was hardly bad news. Intra-Asian trade was sufficiently lucrative given the extraordinarily wide range of valuable cargo that could be carried between West, South, and East Asia. Wealthy urban centers in West Asia offered attractive markets for merchants operating from the western coast of India, and culturally proximate civilizations in Southeast Asia were equally attractive destinations for merchants operating from the southern Coromandel.

While the littoral was the center of commercial activity, most states, and especially the larger ones, formed inland, with at best a presence in the delta. Because of this disjuncture, the commercial towns in India acquired a particular character. Few port towns were also politically central. Land tax pulled the capital to the interior, commerce pulled the trading center to the coasts and the estuaries. Political integration between them remained of limited order. This distance gave the merchants more room to maneuver, possibly even made some of them a strategic ally to come of the land-based states. Certainly, merchants often did maintain multiple bases. Far-flung merchant networks buttressed by powerful codes of conduct have been long-known in the region. So powerful could these codes be that community elders were known to punish code-breakers with death. Much evidence of a symbiotic coexistence of merchants and rulers, as well as guilds that operated over long distances comes from medieval South India.

But states tended to grow bigger, try to encompass the coast, or build more secure contacts with the coastal world of commerce. In this way, politics eased or reinforced the geographical constraint. States that lived mainly on land taxes had an interest in road building and opening military supply routes along rivers or overland. The formation and disintegration of states, therefore, strengthened or weakened traffic between the interior and the ports. From time to time, empires also secured large chunks of overland routes, and connected them to the sea. Before the Christian era, the Satavahana Empire achieved this integration to feed the Indo-Roman trade. The Kusanas at the turn of the Common Era secured overland traffic between the upper Indus plains and Central Asia. The Gupta Empire in west-central India secured traffic between the political center and the Gujarat littoral. Cholas in the twelfth century achieved an unusual extent of spatial integration too.

The immediate effect of empires upon long-distance contact fell on roads and religion. The roads shown in the Map 1 display stood as symbols of major empires and carried soldiers, pilgrims, monks, and merchants. Early in the Common Era, the two main roadways in India were established – Pataliputra to Taxila in the north dating from the Mauryan empire, and from Ujjain in Malwa to Taxila, from the time of the Guptas, who had their capital in Ujjain. These two roads, rather road systems for surely they received numerous feeders as well, made use of natural tracks along the river valleys, and therefore, served as conduits for trade and conquest for centuries to come. In the nineteenth century, the railway lines linking Calcutta with Peshawar and Delhi with Bombay, more or less followed these tracks established two thousand years previously. Not all roads were established and protected by the empires, of course. Several others, again geographically determined especially in mountainous areas, were theoretically sponsored by the local states, but carried more caravans than soldiers. Such arteries could be found in all segments of the Himalayas.

A more broad-based and permanent integration between roads and sea began to take shape from the thirteenth century onward with the consolidation of Turko-Afghan Empires in northern India. In the next four hundred years, the authority of Delhi or its vassals increased sufficiently to open up the east-west, north-south, and trans-Himalayan trading-cum-military routes. Thus began the first of the major epochal transitions in globalization. It was no doubt a slow process by modern standards, taking centuries to reveal its potentials. Nevertheless, the conquest by Delhi's vassals of Malwa, Deccan, Gujarat, and Bengal was the foundation upon which a more deep-rooted integration of roads, inland waterways, and the sea could build itself during the Mughal Empire in the seventeenth century.

These developments imparted little effect upon shipping technology. Nor did they change the basic dependence of the ports on river-borne access to the interior. Shipping in the Indian Ocean continued to be shaped by geography and local tradition. The empire was interested in overseas trade, but it was much more interested in land. Historians of medieval South India observed how peripatetic Hindu merchants often made donations to temples as a symbolic gesture towards the state or fellow merchants. In the case of Islam, the economic meaning of religious sponsorship was of a somewhat different order in north India. Islam notably supplied a cooperative principle among communities that colonized open land frontiers, cleared forests, and sometimes supplied soldiers to the state. In north India, it was a religion of the land rather than that of the roads.

And yet, whether by design or otherwise, the Indo-Islamic empires did strengthen trading contacts between north and south India, connected eastern with western Deccan, integrated economic life across the Gangetic plains, brought Bengal and Ganges delta in closer relationship with the imperial core, and stimulated trade along the Ganges itself. The states extended political authority over some of the ports, which now became centers of provincial administration, reflecting a closer integration of state and market than before, but the majority of these remained outside the northern empire.

When the Europeans started setting up warehouses in the Indian ports, some of the ports where they operated were seats of the imperial government.

Indo-European trade

André Gunder Frank used, in no less than three places in his book *ReOrient*, the expression that the Europeans 'bought a ticket' into the already flourishing Asian trade thanks to fortuitous access to American silver.[12] The silver helped, but the emergence of European traders to a position of dominance in the Indian Ocean was not so much a question of luck as Frank's language might suggest.

Whereas Asian trade had stayed confined within Asia, Europeans came to Asia with navigational experience acquired in the Atlantic. They embodied a more global understanding of markets for Asian goods than did the Asian themselves. In 1600, the Europeans built ships that were on average larger than Indian ships, and had bigger cargo capacity. They were differently constructed, partly to accommodate a number of guns, and less susceptible to variability in climatic and ocean conditions. It was not that the Indians did not know how to build large ships. But such constructions remained exceptional in a milieu that rarely extended further than the Indian Ocean. The Europeans used the knowledge of sturdier ship to make really long sea voyages. The

[12] *ReOrient*, pp. xxv, 282, 356.

result was market integration on an inter-oceanic scale, something the South Asians had no knowledge of.

The increasing participation of the western Europeans in the Indian Ocean was revolutionary on many fronts. The immediate manifestation of European participation was the exercise of raw violence, especially on the part of the Portuguese keen to establish a monopoly on the spice trade. But not only did the Portuguese strategy not impart any far-reaching changes in the physical and spatial structures of trade, but also, with the Portuguese turning their attention to East Asia, the strategy became unsustainable within decades after it began. The European gunships served little long-term political or economic purpose.

Of greater importance were the technological and institutional effects. From the seventeenth century onwards, through the agency of the Indian artisans who worked in European shipyards, knowledge of ship-building began to change in India and some degree of convergence between regional designs began to happen. There may have been some decline in Indian shipping, but considerable learning occurred too. When we reach the nineteenth century, Indian shipwrights dominated the industry in sites like Bombay, Calcutta, and Surat. One of the sources of comparative advantage of European shipping was the knowledge of iron casting in large foundries. Such knowledge was also valuable to the states that wanted cannon founders and good gunners who could make cannons. European mercenaries were in demand amongst Indian courts for these reasons.

Indo-European trade brought new institutions into the Asian trading world. The English and the Dutch East India Companies represented a mode of trade that was not indigenous to India. Thanks to the joint-stock organization, these were firms much larger in scale and better able to weather risks than the family firms that ruled the Indian business world. They were also more specialized in specific goods, and being specialized, needed to make use of long-period contractual transactions. The fairground style of trading on the Indian coasts, therefore, was not consistent with the European mode of doing transoceanic business. Contractual transaction in turn carried its own hazards. In Indo-European trade, the transacting parties were neither protected by the state law, nor shared the same customary law. Conflicts around the terms and enforcement of contracts, therefore, were extremely common. Conflicts were present between European powers, and negotiations with territorial states often failed too.

These conflicts imparted on the Indo-European trade an air of instability. The English Company responded to the instability by setting up ports where the sovereign authority rested with the foreigners.

The three port-cities that the English Company set up in India, and where it was the ruler, were much more than new urban centers. They were, qualitatively speaking, set apart from a Mughal city or a commercial center in the interior. Bombay, Madras, and Calcutta were not fairgrounds and emporia in the way the Indian ports still were. Instead, they represented occupationally specialized sites with an overwhelming interest in commissioning textile production, a precursor to a nineteenth century model of urbanization. Bombay and Madras were set up in territories beyond the Empire. And as the empire began to crumble in the eighteenth century, the well-defended Company towns rose as safe havens for Indian merchants and artisans.

These three ports furthermore redefined the relationship between geography and commerce. With the exception of Calcutta, and perhaps Portuguese Goa, the ports were located on sites that did *not* rely on river-borne trade in order to access the interior. They were not even located on rivers of any significance. Even Calcutta, which was situated on a river, did not rely on the river a great deal to conduct its main businesses. Instead, these ports looked towards the ocean, and in turn attracted migration of merchants and artisans. They drew in skills and capital, along with goods, from the interior. For the first time in Indian history, the ports were not dependent on the hinterlands, but the hinterlands came to the ports. The fortunes of Indian businesses were often tied to the fortunes of the local state. That factor did not change in the port cities. But then, in these cities, the state belonged to the merchants.

I would define the early modern epochal change, then, in terms of four characteristics – a new geography of trade less dependent than before on climate and terrain, a new model of urbanization that drew in mobile capital and skills, a new institutional regime more dependent on long-period contract, and a new kind of empire set up by traders rather than warlords. And yet, in main ways, the new regime of integration retained continuity with the past. The technology in overland transactions changed little; geography was still a paramount constraint in facilitating or hindering road transportation. Indeed, in this respect, the collapse of the Mughal Empire even saw some regression.

Empire and beyond

From the point of the costs of carrying out trade, the rise of the British colonial empire in India made little difference. What did matter were the technological and institutional changes that it enabled. The railways and the steamships effected integration of the land and the sea to a degree unprecedented in history. The railways and overseas trade attracted capital from London. New currency regimes reduced the risks of overseas investment. The abolition of slavery encouraged the tropical and New World plantations to initiate moves to organize the import of Asian labor. The empire was readier than any previous regime was to institute laws encompassing commercial, financial, and labor transactions. The British Empire also represented a diverse collection of world regions with shared language and law. The imperial umbrella brought down transaction costs in exchanges between parts of the empire.

The Indian entrepreneurship that had grown to maturity in the colonial cities shared a more cosmopolitan culture than their counterparts in the interior, formed unorthodox partnerships, and was readier to make unusual commitments. For them, the empire reduced variety of trade costs, including the costs of accessing skilled labor and machinery from Britain. The factories, banks, insurance, trading firms, shipping firms, schools, colleges, charities, and associations that came up in Bombay, Calcutta, and Madras, all dependent upon imported knowledge and services, represented a break from Indian tradition in a whole lot of ways. And yet, none of this would be intelligible without reference to the readiness with which the Indian merchants made use of the imperial network.

Late in the interwar period, much of this dynamism was gone. In the difficult global economic conditions of the late-interwar period, the interests of the British Empire and Indian business were not so well-aligned any more. The imperial umbrella was in tatters; even as politicians in Britain wanted India to stay in the umbrella more than ever. Economic nationalism in India was dominated by the increasingly acrimonious disputes that this divergence of interest generated. The reduced attraction of the colonial connection for Indian businesses gave rise to the demand for a less empire-oriented trade regime. Indian business became more inward-looking in seeking markets or materials. The dynamics of globalization, therefore, broke down during decolonization, and decolonization happened partly because it broke down.

When the disruptions of the mid-twentieth century had subsided, a new nation and nationalist spirit had risen from the ashes of foreign rule, and earnest attempt to develop India begun, a choice was made quite early on to reduce the role of the market in India's engagement with the world economy. Foreign aid took the role of commodity exports in funding domestic investments, which was now managed by the state. The decision to shift the mode of international contact from the market to the state was compatible with a parallel decision to make the state the main vehicle for industrialization. Domestic businesses welcomed the regime, having received protection from foreign competition in the bargain.

From a historian's angle of vision, the statist-autarkic regime was no more than an experiment, indeed an aberration in the millennia-old history of India's engagement with the world economy. Why it retreated and exactly when it did still remain something of a mystery though. Insofar as an endogenous rethinking on economic policy played any role behind the retraction of autarkic policy, the rethinking could result from the contradictions created by the policy regime. National development had run into unsustainable costs in the form of fiscal and balance of payments problems. Beyond such short-term crises, autarky was simply not consistent with Indian history. Too many politically influential commercial actors would be aware of the forgone profits from dealing with the world economy. No matter the underlying reason, it is understood that India's return to the world market began in a small and surreptitious way in the 1980s, before it became an accomplished fact. Thereafter, interactions again encompassed trade, investment, and remittance, reminiscent of the nineteenth century pattern of integration. And global contacts began to produce revolutionary effects on the capability of Indian actors to supply marketable goods and services to the world. The dramatic illustration of the capability was the growth of a knowledge economy.

Arguments and hypotheses

In this long-range narrative of trade, migration, and investment, there are local and global elements. The distinctively local elements are the enabling and constraining role of geography, and the Indians' irrepressible 'disposition to truck, barter, and exchange', borrowing words from Adam Smith. That disposition should not be seen as a cultural attribute; rather it was a reflection of the low costs of trade that geographical positioning could offer to some communities and regions. The constraining influence of geography has diminished today compared with the situation in the past centuries, but it has not disappeared. The harshest environments and areas distant from the coasts remain even today the areas least affected by the big changes going on in India.

On top of these long-binding constraints, external circumstances worked to shape patterns of interactions. States imparted deep effects on the process of spatial and market integration. Technologies of transport and communication eased geographical constraints. To each such external circumstance, merchants, workers, professionals, and artisans in India responded resourcefully. In the eighteenth century, the response took the form of fine cloth, in the nineteenth century indentured labor, and in the late-twentieth century knowledge goods. Much depended on externally induced changes in the costs of trade, and what goods and services the world wanted to buy from the Indians.

If we must distinguish the modern from the pre-modern forms of market integration, we should include in the definition of the modern three nineteenth century concepts, the railways, the imperial umbrella of language and law, and institutional change. The railways made a difference to trade costs, precisely because geography had made them so prohibitively high in land-and-sea trade. The imperial umbrella was crucial to expanding the axes of interaction from commodity to capital, labor, and technology. Economic laws, especially in the sphere of commercial exchanges, broadened the scope of impersonal contracts.

Chapter outline

The rest of the book consists of ten narrative chapters set out in a chronological sequence, beginning with commerce before the Islamic empires (chapter 2), proceeding to state formation between 1200 and 1650 (chapter 3), Indo-European trade (chapter 4), commodity and factor markets in the nineteenth century (chapters 5 and 6), the relationship between colonialism and development (chapter 7), decolonization (chapter 8), the statist experiment (chapter 9), and return to the world market (chapter 10). A last chapter (11) summarizes the 2000-year story into five propositions.

The journey should begin with a time when geographical conditions were especially binding upon trade.