Merciful Tyrants:

Explaining Rebel Forgiveness and State Capacity in Mughal India (1556-1707)

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Abstract: Credible commitment, described as the restraint on rulers from reneging on debt payment and confiscating valuables, has been regarded as an important determinant in the development of state fiscal capacity. However, more recent scholarship, like the work of Irigoin and Grafe, has argued that monitoring and coercion costs can equally limit a state's fiscal capacity, especially where state costs are lower. This paper posits rebel forgiveness as a tool used by the Mughal state to maximise revenue. *tbc* The paper will argue that state forgiveness was a tool for maximising revenue in an environment where the cost of collecting and monitoring revenue were very high. Therefore, the paper will present a theoretical model for why forgiving rebels was a rational decision for a revenue maximising state in cases. The paper highlights the unique institutional constraints faced by Asian states in the pre-colonial era, that had implications for institutional development.

*tbc as my findings may change after the final hypothesis is tested.

Introduction

In many ways, the assumption of a predatory state has come to be taken as a given within the state formation literature, where renowned academics like Mancur Olson[1] have demonstrated the ruling group's primary interest is to maximise long run revenue. Consequently, the most common question in the literature has been to answer how to constrain rulers, the idea being economic growth can only be achieved when investors are confident that the government will not renege on its debt, and are therefore willing to lend at a lower rate of interest.[2] From this, the literature has posited that democracies relative to autocracies are far more likely to raise more revenue. More recently, however, a growing literature on administrative costs has argued that just as much as an overly predatory state can negatively affect the government's ability to raise revenue, too little investment in coercion can also negatively impact state fiscal capacity.[3] In a current working paper, Ma and Rubin also posit that high monitoring costs can force governments that cannot credibly commit to no confiscation to allow government officials to accept extra-legal taxation in order to convince them to stay on.[4]

Given these theoretical underpinnings, the high rate of rebel forgiveness in the Mughal empire (1556-1707) presents an interesting case study for us to understand how coercion costs impact state fiscal capacity development. It is clear from their patterns of rebel forgiveness, the Mughal emperors exhibited highly constrained behaviours through the course of the empire, reinstating and often even promoting rebel leaders that attempted to secede, defect or take by force the government. This is even after the rebels had already been subdued or when the incumbent's victory was guaranteed. Moreover, the Mughal state also adopted an unusual practice of reinstating confiscated wealth from previously punished officials. From discussion with experts on confiscation in the Qing [and Ottoman empires][5], the Mughal state seems unique in its willingness to forgive rebels. Using the framework of high coercion costs affected state tax collection and institutional capacity, this paper seeks to explore why an extractive monarchic state consistently forgave rebels that either refused to pay taxes or attempted to secede territory. The contributions of this paper are many-fold, but of primary importance is its contribution to our understanding of how pre-industrial states responded to unique cost structures that would otherwise impede their ability to collect tax revenue. The answers will help improve our understanding of premodern economies, however there are also potential modern applications for understanding why contemporary governments might retain disloyal and corrupt officials.

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[1] Olson, Mancur. "Dictatorship, Democracy, and Development." The American Political Science Review 87, no.

[2] North, Douglass C, and Barry R Weingast. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England." The Journal of Economic History 49, no. 4 (1989): 803-32.

[3] Alejandra Irigoin and Regina Grafe, "Bounded Leviathan: Fiscal constraints and financial development in the Early Modern Hispanic World," in Questioning Credible Commitment Edited by D'Maris Coffman (Illinois: University of Cambridge)

[4] Debin Ma and Jared Rubin, "The Paradox of Power: understanding Fiscal Capacity in Imperial China and Absolutist Regimes," LSE Economic History Working Papers No: 261/2017
file:///C:/Users/safya/OneDrive/PhD/Chapters/Chapter%203-%20Merciful%20Tyrants/Readings/Ma%20Rubin%20working%20paper%20WP261%20(similar%20ideas%20to%20what%20I%20am%20looking%20at).pdf

[5] Need to check

Data and Methodology

This paper will use a newly constructed dataset on Mughal conflicts which includes details on multiple variables, including whether conflicts were internal or external, when the conflict began and ended, measure of the size of the conflicts, the location of the conflicts and a list of rebel participants.

The database is derived from Mughal state histories, which provide chronological accounts of major conflicts across the empire. As these histories were not published widely and were written and used by the highest-ranking government officials, they contain highly pertinent information regarding the management of the empire. The data represented here should be taken as a minimum because there are known conflicts that occurred that are not included in the database for clarity reasons. This paper will focus on a sample of rebels collected from the histories whose experiences were recorded.

Definitions:

Rebel: a person or group who, at the start of rebelling, was paying tax or tribute to the state and:

- tries to take over the state (or some portion of it) [As per Charles Tilly's definition]; or
- defects to someone who is trying to take over the state; or
- refuses to pay taxes without show of force from the state.

Forgiveness: a rebel that is either not punished after the rebellion and/or is given the same (or higher) social position as he had at the point of rebellion. E.g. a zamindar remains a zamindar who pays tax/tribute to the state.

The Mughal Context

In the economic history literature, it is well recognised that expensive external conflicts (i.e. wars) played a significant role in driving pre-industrial governments to adopt policies that allow them to increase their tax revenue. Tilly has argued that increased desire for wealth has driven economic historians to develop increasingly centralised revenue collection systems.[6] North and Weingast have made the argument that governments that were able to commit to debt repayments were able to borrow from the public at lower interest rates.[7] The effect of internal conflicts on state capacity development has been less explored, although the literature generally agrees that higher levels of internal conflict have a negative effect on state institutional development. Besely and Persson, for example, have argued that whilst external wars incentivise governments to invest in public goods, internal conflicts often incentivise states to only invest in what strengthened their own allies.[8] Kenneth Chan has argued that the Ming and Qing Chinese governments would accept a lower level of taxation

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[6] Tilly, Charles. Coercion, Capital, and European States, AD 990-1990. Studies in Social Discontinuity. Cambridge, Mass., USA: B. Blackwell, 1990.

[7] North and Weingast, "Credible Commitment"

[8] Besley, Timothy, and Torsten Persson. "Wars and State Capacity." Journal of the European Economic Association 6, no. 2‐3 (2008): 522-30

in order to prevent external rebellion.[9] Leigh Gardner has demonstrated that the increased cost of managing rebellion drove the colonial British government to avoid heavy taxation.[10] Aside from Gardner's examination of colonial taxation policies in Africa, little has been written on how the *cost* of internal conflict influences taxation structures.

For the case of Mughal India, a state that was constantly engaged in conflict over the course of the dynasty, the implications of rebellion management on tax revenue are significant. Table 1 below demonstrates the empire faced at least 282 major conflicts, of which 177 were rebellions, 35 were conflicts with Vassal states and 65 wars. Whilst the number of internal conflicts were clearly substantially larger, the number of wars the state faced were not insignificant. As the state was constantly engaged in conflict, it was highly motivated to increase its fiscal capacity. The motivation for high revenue can be demonstrated by the very high aspirational tax rates of 50-66% of the produce,[11] and by the high level of detail Mughal Officials gave with regards to pecuniary matters within the histories.

Table 1: Number of Conflict Type Per Decade

| Decade Start	Total	War	Vassal State	Rebellion	Protest/Riot
1555	6	4	0	2	
1560	18	7	0	11	
1570	18	7	0	11	
1580	18	4	0	14	
1590	32	10	2	20	
1600	39	4	5	30	
1610	27	7	1	19	
1620	18	3	3	12	
1630	29	7	8	14	
1640	12	3	2	7	
1650	19	2	2	14	1
1660	20	4	4	11	1
1670	6	0	1	3	2
1680	7	1	3	3	
1690	10	2	4	3	1
1700	3			3	
Total	282	65	35	177	5
% of Total		23.05	12.41	62.77	1.77
Source: Official Histories Database. Section 2.1.1 of the data chapter explains how this has been organised. Highlighted pink rows indicate periods of potential data inconsistency because of source issues.					

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[9] Chan, Kenneth S. "Foreign Trade, Commercial Policies and the Political Economy of the Song and Ming Dynasties of China" Australian Economic History Review 48, no. 1 (2008): 68-90.

[10] Gardner, Leigh (2012), Taxing Colonial Africa: The Political Economy of British Imperialism, Oxford: Oxford University Press, ch. 3.

[11] Habib, Irfan, The Agrarian System of Mughal India 1556-1707, (Delhi: Oxford University Press, 2000 2nd rev. ed.)

Moreover, it was often true that the rebellions the Mughals faced were also very expensive. Whilst other states like the Ming-Qing Chinese dynasties also faced a very high number of rebellions, these were more often peasant rebellions. Conversely, a large portion of Mughal rebellions were led by wealthy intermediaries, who often had their own militias. For example, one particularly wealthy Zamindar (local intermediary) had hidden wealth amounting to 2,800,000 rupees and an army of 10,000 infantry and 5000 cavalry. Putting down a rebellion from a Zamindar, therefore, was substantially more expensive than a small peasant rebellion. Figure 1 shows the percentage of rebellions as led by each class over the course of the dynasty. The graph demonstrates that through the period studied, at least 50 percent of rebellions the state faced came from higher class groups, the majority of whom were local intermediaries. This data indicates the cost which rebellions posed to the Mughal state were substantial.

Figure 1: Percentage of Rebellions as led by class Type (per decade)
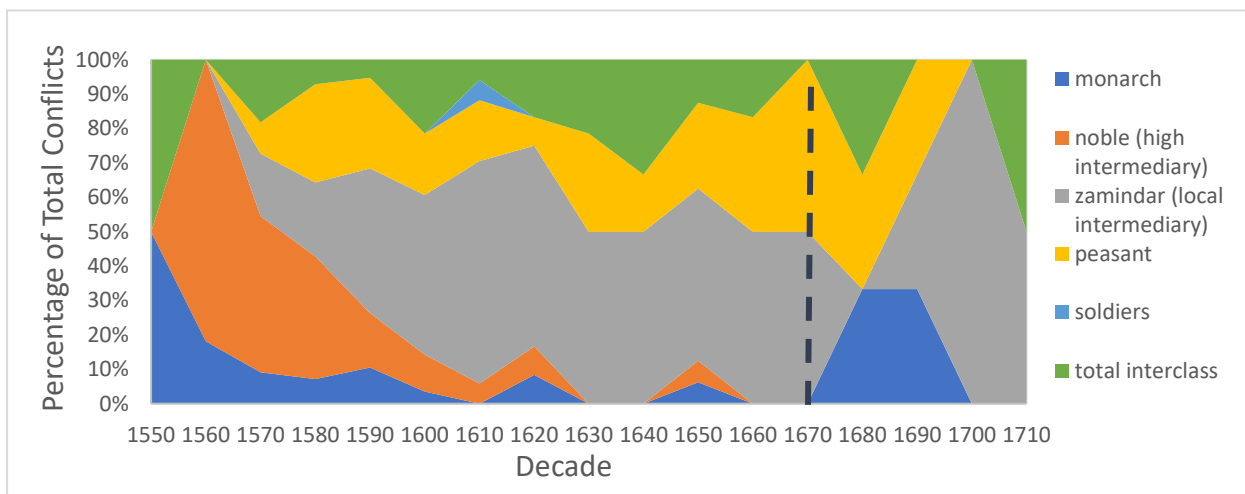
  Source: Official Histories Database. Interclass Type means the class of the people leading the rebellion. This is explained in section 2.1.2 of data chapter. Data after dashed line is less certain due to source issues discussed in the data chapter, section .

Given the very high number of internal conflicts, and their negative effect on revenue, it is strange that a monarchic and extractive state chose to forgive as many rebels as it did. It is especially strange given Mughal rulers were not averse to inflicting cruel punishment. The Emperor Jahangir, for instance, once ordered a man to be flayed alive in front of him as punishment, demonstrating what the Mughals were capable of inflicting. It is also notable that the proportion of rebels forgiven was quite high. Table 2 presents the number of rebels from each class group and how many were forgiven. It shows that from our sample, at least 43% of rebels were forgiven. Moreover, with the exception of the Zamindar class, the data indicates that higher level classes were far more likely to be forgiven than the lower level classes. That higher status individuals were more likely to be forgiven is also counterintuitive. The state should have a greater incentive to punish or execute wealthier rebels because their wealth can be confiscated to add to state coffers, and because they pose a greater threat to state power. Conversely, punishing large groups of peasant rebels could impact agricultural productivity and reduce income, thereby making forgiveness a more rational choice. Therefore whilst forgiveness of low-class peasants may not be surprising, greater rates of rebel forgiveness for higher classes seems irrational.

Table 2: Forgiveness by Class Group (for which there is data)

	No. Rebels (with data)	No. Forgiven	% Forgiven
Monarchs (dynastic rebels)	13	8	61.53846
Nobles (high-level intermediaries)	96	44	45.83333
Zamindars (Local Intermediaries)	106	51	48.11321
Soldiers	9	4	44.44444
Peasants	45	11	24.44444
Total	*269*	*118*	*43.86617*

However, if we consider some of the unique cost structures of the empire, it is possible to present a framework to help explain rebel forgiveness. If we assume, that a rational state will always maximise revenue, the higher cost of internal conflict, relative to external conflict, might help to explain this strange behaviour. Like wars, expensive internal conflicts incentivised the state to increase its fiscal capacity. Unlike wars, however, internal conflicts had the additional burden of affecting how much revenue a state was able to realise. Every rebel, when rebelling, would have been a former taxpayer within the empire who was no longer paying taxes. Moreover, internal conflict often resulted in the destruction of important infrastructure and agriculture that would otherwise have helped to contribute to the revenue. Thus, when putting down rebellious groups, the state had to balance between the potential tax arrears it would hope to recover from the rebel with the military costs and cost of public good destruction that ensued from conflict (see Equation 1 below). This means the larger the rebellion in terms of size or duration, the higher the cost to the state, and the less chance of recovering tax they would have otherwise received. Although the state might attempt to recover the military costs and costs of public good destruction at the point of forgiveness, their ability to do so will highly depend on the rebels' ability to pay such a high amount, their negotiating power and whether they keep their agreement. As such, the likelihood of the state being able to recover anything more than tax arrears is unlikely and relying on this additional income is a large risk. Due to constant need to fund internal and external conflict, the state would need to recover at least some of the revenue from the taxpayer.

Equation 1:

> **Mughal considerations when dealing with rebellion:**
>
> Net Tax Revenue from Rebel = Taxes Arrears – [military costs + costs of public good destruction]
>
> **Alternatively:**
>
> $$\text{Net Tax Revenue from Rebel} = \text{Taxes Arrears} - T*C$$
>
> Where T = time and C= cost of prolonging war (i.e. military costs, and public good destruction)

Figure 2 (below) presents the scenario the Mughals faced graphically. The y-axis represents the net tax-revenue the state hopes to recover from the rebel after rebellion. The x-axis represents the total cost the face states when putting down the rebellion, including both military and cost of public good

destruction. The area under the curve represents the total tax revenue lost from that rebel for the duration of the rebellion. If the cost of conflict was zero, meaning there was no fighting or mobilisation of troops before the rebellion began, the state might be able to recover all the revenues that would have been paid. Therefore, the loss in tax revenue is zero, where the negative impact of rebellion on revenue is negligible. However, the longer the rebellion, or the larger the size of the rebels' militia, the cost of rebellion increases, and the proportion of the net tax revenue that can be recovered decreases. If a conflict goes on long enough, the cost of putting down the rebellion would eventually outweigh the tax arrears that could be recovered, meaning the state would lose more than the tax arrears.

Given these parameters, however, it is likely the government will forgive the rebel well before the stage where tax arrears cannot be recovered. This is because the state would likely have minimum requirement for how much tax will need to be realised in order to sustain its military expenses and would want to recover at least that much tax. This minimum amount of revenue can be represented by point A, where the state will forgive the rebel before costs reach this point, C_A represents the maximum cost the empire is willing to take. Of course, one might argue that the ideal point of forgiveness is at the beginning of the rebellion where the cost of conflict is zero. However, at the early stages of rebellion the rebel will unlikely be willing to stop their rebellion without being offered some form of compromise, either in taxation or political power. A rational state would want to minimise the amount of compromise made in order to retain the highest revenue. Therefore, it is unlikely the state will want to forgive the rebel until cost of conflict surpasses the amount that would be lost through compromise, this being represented by Point B. The state would instead prefer to engage in a quick and decisive battle with a minimum loss in power and the maximum revenue retained. The ideal point of forgiveness for the state, therefore, is somewhere between points C_A and C_B where the maximum revenue can be obtained with the least compromise.

Figure 2: Graphical Representation of Rebel Forgiveness
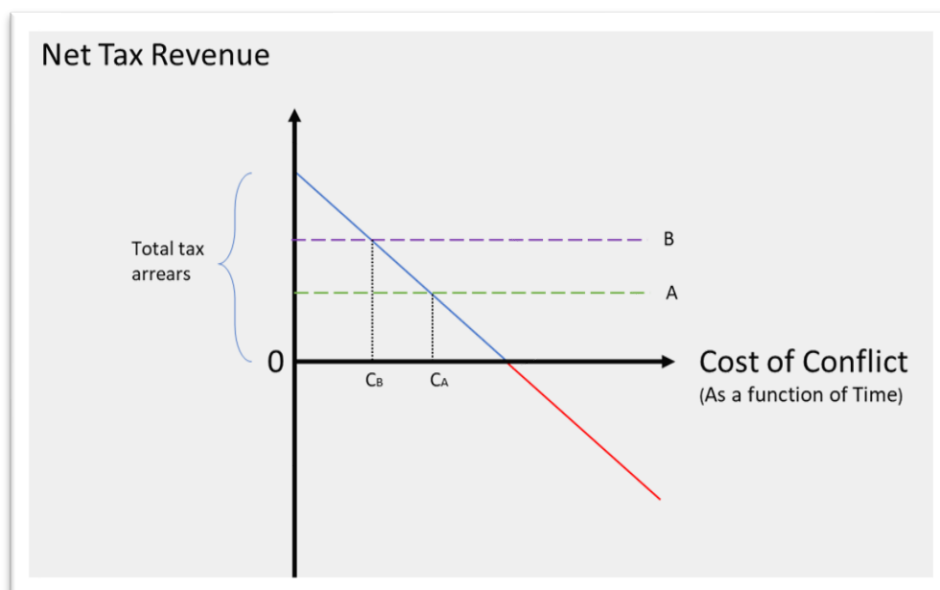
It follows, therefore, that a revenue maximising state has a rational incentive to forgive wealthy rebels. However, the analysis presented until here has been largely theoretical. Through analysing both

quantitative and qualitative data, this paper will test three possible hypotheses that could explain why so many rebels were forgiven.

Hypothesis 1: Tax rebels were the main drivers of forgiveness

If we take the framework given above to be true, the most logical reason for rebel forgiveness would then be to maximise revenue. It follows that the Mughals would be most concerned with tax rebellions, where armed force was required in order to force rebels from taking taxes. Tax rebellions are what mattered most. We should therefore expect that rebels motivated by tax-resistance are the most likely to be forgiven, as the state would avoid losing as much revenue as possible.

Data: I look at only rebels from whom we have both consequence data as well as motivation data. In other words, we only include rebels for whom we know what happened to them after their rebellion, and those whom we know why they rebelled. This means for this section we are only able to look at the data for 184 rebels for whom we have a complete dataset. Due to the nature of the data, motivation must be inferred. However, motivation is only counted if there is strong indication of it.

Analysis: As Table 3 demonstrates, rebels motivated by tax were the more likely to be forgiven than any other group. This gives some support to this hypothesis. It is also interesting that, according to the Mughal interpretation, only 27 out of 184 rebels were motivated to rebel for policy reasons. The vast majority were motivated by pecuniary reasons. However, rebels with other motivations were also likely to have high forgiveness rates. Only 23 out of 94 rebels were forgiven for tax reasons, meaning it only explains 24% of forgiveness. This indicates there are other possible factors driving forgiveness.

Table 3: Rebellion and Forgiveness by Inferred Motivation

Inferred Motivation	No. Rebels	No. Forgiven	% Forgiven
Territory motivation (capture/secede territory)	68	25	36.76471
Tax/Tribute motivation (refuse to pay taxes)	41	23	56.09756
Social Mobility motivation (desire higher social status)	48	26	54.16667
Plunder Motivation (plundering other lands)	21	8	38.09524
Policy Motivation (upset with Mughal laws/policy)	27	12	44.44444
Total (Note: a rebel can have more than one motivation so No. rebels total is higher than the actual sample size)	205 (184 actual)	94	

Hypothesis 2: Rebels were forgiven to keep control of power

It is possible that, like for Qing Chinese case, rebels were forgiven because the state was concerned of losing control. Whilst this might be the case for a few rebellions, it cannot explain all rebel forgiveness because:

- Except for dynastic rebellions, rarely were the Mughals ever under threat of losing their place as rulers since they were very powerful. They were only ever at threat of losing revenue.
- The Mughals often forgave rebels that were already defeated.
- Mughals had to be extractive because of very high military costs.

Hypothesis 3: Rebels were forgiven because of administrative costs.

This section argues that the state forgave rebels in order to reduce administration costs. Many of the rebels were forgiven were convinced to return to the Mughal empire by the state offering them greater income, status or reward. The reason this was done because those rebels proved invaluable for reducing administration costs because of their skill or influence within a particular group. The empire had a shortage of soldiers that seemed increasingly willing to defect to state opponents that would offer more. Forgiveness allowed the empire to retain individuals that were invaluable in knowledge of the local region and were capable of garnering local support and proved essential to managing the state at a lower cost. Figure 3 shows the effect on revenue when an influential administrator rebels. Total tax revenues would fall faster, and forgiveness should occur sooner.

 Method: I plan to use event history analysis to demonstrate that rebels that were stationed farther away, or were from certain ethnic groups, were more forgiven sooner because they were more valuable. I also plan to show that rebels were more likely to be forgiven later in the dynasty because they state was facing larger rivals.

Figure 3: The effect of losing a powerful administrator on revenue