Redistributive Colonialism: The Long Term Legacy of International Conflict in India

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Abstract

The growth of European colonial empires occurred during a period of intense international conflict, the consequences of which are poorly understood. This paper examines how the international position of colonial states altered the distribution of wealth within indigenous societies. It proposes that colonial administrators only transferred power to precolonial elites if they were secure militarily and financially—while the local elite could provide colonizers a cheap and experienced group of administrators, they were also its most threatening military rivals and richest taxpayers. This theory is tested using data on the wealth of Indian caste groups. In areas annexed at times of European war, precolonial elites are poorer than other groups, while in other areas they remain richer. These results appear to not stem from preexisting differences between the two types of regions. The results highlight the variable impact of colonialism within societies, and the strategic nature of colonial policy choices.

1 Introduction

Numerous studies have shown that variation in colonial institutions can explain variation in contemporary economic and social outcomes (Acemoglu, Johnson and Robinson 2001; 2002; Mahoney 2010; Lee and Schultz 2012; Banerjee and Iyer 2005; Nunn 2009: Iyer 2007). However, in their focus on the effect of long-term institutional factors, these accounts have neglected the strategic rivalries and calculations into which colonial conquest was embedded. In particular, we have little understanding of whether European political events and decisions, such as the persistent wars that plagued early-modern Europe, altered colonial policy.

Similarly, the existing literature has focused on the institutional effects of colonialism, rather than its distributional effects. Even within regions and nations, some social groups may benefit from colonial policies, while others will be hurt by them, and these differences may persist long after the official favoritism or distrust that gave rise to them has faded away. However, we have little explanation for why colonial rule in some places reinforced the social position of precolonial elites, while in others it weakened or replaced them.

This is not to say that these distributional effects are unstudied: Case studies provide strong evidence of colonial favoritism toward specific groups: The Belgians favored Tutsis over Hutus in Rwanda, the British favored Tamils over Sinhalese in Sri Lanka, the Spanish favored Tlaxcalans over Mexica in Mexico. Such favoritism is often thought of as significant as a cause of later ethnic conflicts or social inequalities (Horowitz 1985). However, such single-country accounts leave open many questions, including three potentially important ones: 1) Why the process of colonialism systematically favored some groups over others, 2) whether or not such favoritism actually altered existing patterns of stratification, and 3) whether these effects have persisted to the present day.

This paper will show that relations between colonial administrators and their Indian elites varied based the diplomatic situation in Europe. In European wartime, colonial administrators felt insecure militarily, and tended to view the precolonial elite (the most obvious leaders of a revolt) with suspicion. Similarly, in wartime the fiscal pressure on the colonial state was much greater, increasing its incentive to expropriate elite wealth. In European peacetime, the military and fiscal pressure on the colonial state was less intense, and the colonial state found it more convenient to leave existing elites in place, borrowing their personnel and (in indirectly ruled areas) their institutions. Incorporation into colonial institutions in turn allowed these elite groups to maintain high levels of socio-economic status. Since annexation represented a critical juncture for the formation of local institutions and the selection of local elites, the effects of conditions at this period often had effects that long outlasted the period of annexation itself.

In estimating the effect of European war at the time of annexation, an obvious potential concern is that wartime annexation may be influenced by some attribute of the units themselves, with colonial powers varying the type of territory they annex based on geopolitical factors. There are theoretical reasons for thinking that biased assignment is not a major problem in the Indian case: The dates of European wars were decided in Europe rather than in India and annexation decisions tended to be highly responsive to local political events. This is supported by the available data, since both annexation and military conflict in India are uncorrelated with European conflict. There is also strong support for the contention that areas annexed in European wartime and European peacetime were similar in their social characteristics, since areas annexed at times of European war appear very similar on geographical and social observables to areas annexed at other times.

India, where there was considerable indigenous social stratification, and where the colonial conquest was contemporaneous with a long series of on-and-off wars between Britain and France, is an obvious place to test this theory. The question of cross-group redistribution is particularly urgent in contemporary India, where intergroup economic inequalities are very marked (today, 44% of modern variation in wealth can be explained by caste.) In particular, there is substantial variation in the economic position of precolonial landed groups. The fact that landed castes do better economically than other Indians is not particularly surprising, given the sizable head start that they had over most other social groups. What is surprising is that there is sizable variation in this economic advantage. For example, while precolonial landed groups have an average household wealth .64 standard deviations higher than non-landed groups in Bihar, they are slightly poorer than non-landed groups in the neighboring state of West Bengal. This variance has obvious direct relevance for the lives of millions of Indians, who find themselves richer or poorer than their neighbors. It has an even greater indirect relevance for the politics and political economy of India, since many students of Indian politics, notably Srinivas (1966), and the contributors to Frankel and Rao (1989), have traced variation in the political performance of Indian states to the social position of landed caste groups.

The quantitative results show that while colonial-era wars have little impact on the wealth of non-landed groups, they dramatically affect the wealth of landed ones. The redistributive effects of colonialism appear to have been minimal in areas where there was no European war at the time of annexation, and in princely states: In these areas, landholding groups perform better economically than non-landholding groups. In areas annexed in wartime, this advantage is reversed, with non-landed groups being relatively wealthier than non-landed ones. While wars in India during annexation have similar effects on landed elites to war in Europe, international conflict is an important predictor of local distributional patterns independent of local conflicts, whose intensity they tended to enhance. The differing fates of landholding groups are unrelated to the land tenure institutions chosen by the British, the party composition and fiscal situation of British governments, the date of annexation, and subsequent changes in caste identity. In the appendix, a set of more tightly focused historical cases studies show that these dynamics were already apparent in the colonial era, and provide direct evidence for a specific colonial policy— land confiscation for non-payment of taxes—as a link between wartime annexation and landed group wealth.

These results expand on existing work that emphasizes the importance of colonialism in determining levels of social inequality (Engerman and Sokoloff 1998). However, instead of examining the overall level of inequality in societies, this paper examines whether the social inequalities introduced by colonialism reinforced or subverted existing patterns. It also provides a counterpoint to several ideas about colonial policy with the existing literature, notably that colonial powers tended to support weaker groups against stronger ones ("divide and rule") or supported groups with whom they identified culturally (such as India's "martial races")(Streets 2004) by showing that colonial policy changed sharply over time, and was influenced as much by broader world events as by characteristics of Indian groups.

Section Two will distinguish redistributive and non-redistributive varieties of colonialism, and develop a theoretical framework for explaining their causes. Section Three will describe why annexation in European wartime affected perceived colonial levels of threat, and discuss the major problems in identifying this effect. Section Four will describe the data used to measure colonial incentives and contemporary socio-economic outcomes. Section Five will examine whether the effects of this variation persisted over the two centuries since the British conquest. Section Six will conclude with a discussion of how the distribution of wealth that occurred during the colonial period has affected the course of Indian politics.

Due to space limitations, a large portion of the empirical analysis is described in an online appendix. Section One provides additional tables, Section Two provides historical context on British policy in India, while Section Three will discuss how policies at annexation affected the landed castes in two parts of a single state, Oudh. Section Four discusses three additional implications of the theory. Section Five consider factors that might create pre-treatment differences between the war and peacetime-annexed samples, and Section Six examines a wide variety of alternative hypotheses.

2 Colonial Favoritism

2.1 The Precolonial Distribution

Outside of the settler colonies, the administrators of the European empires were forced to rule large existing populations.[1] These populations often had developed fairly complex

[1] This paper concerns the distributional consequences of colonialism among indigenous populations, and why certain groups benefited from colonialism more than others. It thus

systems of social stratification and hierarchy,[2] which sometimes, though not always, were aligned with ascriptive social categories.[3] While the exact nature of this stratification varied from place to place, one can identify a basic distinction between those groups that controlled land and those that did not. In a pre-modern society, the control of land, the principal source of economic production and government revenue, was inextricably associated with the exercise of political authority. Landholding groups such as the medieval European aristocracy, or the jagirdirs and zamindars of the Mughal Empire, tended to dominate both revenue collection and the military, sometimes in opposition to the states they were pledged to serve.

Pre-modern societies also possessed a number of other social groups, not all of them poor. These included ordinary cultivators, who supported the landowning class with their taxes, and enabled the landholding class a degree of specialization in political and military action (Moore 1966 and Weber 1947). It also included several groups with weaker ties to the land, such as village craftsmen, long distance traders, and religious or clerical specialists. While members of these groups could be quite wealthy, and could sometimes participate in politics, their power at a local level was usually much weaker than that of the landholding elite. In India specifically, the fragmentary historical data indicate that landed castes had a very marked socio-economic advantage in the precolonial period. Traveler's accounts of India frequently contrast the miserable economic position of village laborers and craftsmen to those of farmers, and that of tenant cultivators to those of

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cannot explain conditions in areas where there was no precolonial population, or where the precolonial population was quickly reduced to insignificance by war and disease, such as in the settler colonies of the temperate zones, and some plantation colonies in the tropics.

[2]The theory here implicitly assumes that within the precolonial population we can identify some social groups as being more powerful than others. In many societies, particularly those comprised of hunter gatherers, such internal differentiation did not exist (Ertan and Putterman 2007; Hariri 2012) and in these societies it is impossible to examine the redistributive effects of colonialism.

[3]See Author 2013b for a more detailed discussion of the relationship between ascriptive ties and political hierarchy in pre-modern societies.

more secure agricultural proprietors (Chandra 1982; Fukazawa (1982). The concentration of political power within landed groups became even more marked after the collapse of Mughal power, as the anarchic conditions prevailing in many parts of South Asia in the 18th century enabled local zamindars to assert their independence, at times acquiring sizable military forces (Kolff 1990), and in the cases of the Rohillas, Marathas, Jats and Sikhs, large empires.

Using the imperfect policy mechanisms at their disposal, colonial administrators could potentially distribute resources among these groups in a variety of patterns. If colonial rule favored the landholders, the power structure of society would not change fundamentally, though the aggregate level of inequality within the society would become larger. More drastically, a colonial government could ignore the landholding groups and try to create a new bureaucracy with native or imported personnel, potentially upending existing social orderings. In the next few pages, we will see how colonial officials might choose among these policies.

2.2 Censorship of the Data

One obvious argument about the relationships between colonial strategy and local elites is that the weaker the colonial power (whether fiscally or militarily) the more likely it is too ally with local elites. A militarily weak colonial state, this argument runs, would need the most powerful allies it could get, and would thus prefer to accommodate existing powerholders, and might have difficulty displacing them even if it wished to.

However, this causal logic is unlikely to apply to actual colonial states. While situations where Europeans were *very* weak in relation to indigenous powers have occurred throughout world history, they are likely to be censored out of most datasets on colonialism, since in these conditions the European power would be unable to establish formal rule. Such an alliance between European weakness and indigenous strength would resemble instead an ordinary alliance of two powers, or a loose protectorate, rather than colonialism as we understand it. In the South Asian context, the local elites of Afghanistan maintained a strong military position relative to the British, and were thus able to avoid colonial rule entirely, and thus avoid being included in a sample of colonial landed groups. Such arrangements were particularly common in the Early Modern period, when European military superiority was less assured than it later became. The British French and Dutch, for instance, all cultivated friendly and deferential relations with the major Indian powers until the mid-eighteenth century. Any discussion of "colonial strategy" or "colonial annexation" thus carries an implied scope condition: That the European power possess a minimal military superiority over the local elite.

2.3 The Military Goals of the Colonial State

While colonial states differed in the degree to which they were motivated by economic, altruistic, or strategic goals, all of these objectives required the perpetuation of colonial rule, and colonial regimes thus sought to secure themselves against both external and internal military threats. In some respects, their triumph over these threats seems overdetermined: Colonial militaries were usually superior in both technology and organization to their indigenous opponents, and these advantages often gained them victories against vast numerical odds. As we have seen, militarily weak European states were incapable of creating colonies in the first place. However, victory was not always cheap or automatic. Even if indigenous states could be subdued quickly, guerrilla struggles could drag on for years, as in Libya, Burma, and the Philippines, making the colony hardly worth the conquest. Even after all resistance had been subdued, the small numbers of the colonizers made revolt a terrifying possibility, as the British learned to their cost in India in 1857. To foreclose such possibilities, colonial powers emulated modern authoritarian regimes both in conducting brutal reprisals against rebels and in creating elaborate systems of "coup proofing" within their militaries.

To conquer a territory, colonial powers necessarily had to either intimidate or defeat the precolonial elite, who controlled the coercive capacity of their polities, and thus the capacity of these polities for resistance. In the initial stage of colonial institution building, Europeans thus tended to be at risk militarily from members of this group, and to perceive this group as threatening. Even after the conquest was completed, members of such groups were the most likely leaders of a revolt against the colonial state, both because of their inherited military skill and social contacts and because they tended to view themselves, not unreasonably, as the natural rulers if Europeans were removed.

This threat, while always present, became more urgent due to external interference. Colonial states were not only fighting the local inhabitants, but each other, and the rivalries among European powers assumed a very high priority in colonial security planning. A particular paranoia of many colonial rulers was that their foreign and internal enemies would combine, with native opponents joining the invading army, or being provided with modern arms and training to revolt on their own (Yapp 1987). This fear was by no means irrational: many of the most successful indigenous political entrepreneurs of the colonial era, such as the Emperor Menelik of Ethiopia or Haider Ali of Mysore, were assiduous in playing the colonial powers off against each other. All but the most torpid pre-modern states were enthusiastic consumers of European weapons and European military advisors. Nor were such strategies always unsuccessful: Menelik used his French rifles to decisively defeat the Italians and maintain his country's independence, while French officers were at the head of the Mysore and Maratha armies that posed the last serious challenge to British hegemony in India. [4]

What made the prospect of external aid particularly credible was that the during the period of colonial expansion endemic military conflict in Europe gave rival powers strong incentives to aid their enemy's enemies in Asia and Africa. From 1756 to 1763, 1778 to 1783, 1793 to 1802, 1803 to 1815 and 1854 to 1856 Britain was at war with France or Russia, meaning that these powers, could and did, aid indigenous elites. In wartime, the prospect of external aid narrowed the margin of military superiority which the colonial power possessed over the indigenous elite, at times to dangerous levels

[4] In addition to external aid, numerous other factors might influence the relative military capabilities of the colonizing power and the indigenous elite, including the time of colonization, the size of the European state and the institutional development of the indigenous polity.

2.4 The Fiscal Goals of the Colonial State

Even if local elites remained perfectly quiescent, European Wars were stressful periods for colonial administrators, since they increased the fiscal demands on the colonial state. Even without allies, European enemies could attack a colony directly, with the task of defense being borne by the local budget. Similarly, the government in the metropole might demand that a colony finance an expedition against the colonies of its rival, as when the Indian government conquered Mauritius on Britain's behalf in 1810. Finally, the central government could make or indirect demands for funds, as the British government made of the East India Company during its 18th century wars.

The result of this increase in fiscal pressure was that colonial official needed to collect more revenue. This put pressure on indigenous elites in two ways. Firstly, as owners of the most important and most visible economic asset, land, any increase in revenue demands would fall disproportionately on them. Secondly, indigenous elites were often beneficiaries of arrangements by which they collected taxes on behalf of the state, retaining a portion of the revenue for their trouble. The jagirdirs and zamindars of 18th century India, for instance, like the chiefs of colonial Africa, derived much of their status from this tax farming role, which had helped reconcile many of them to colonial rule. However, in circumstances of fiscal stringency such arrangements were likely to be perceived as inefficient luxuries, which colonial officials would avoid in favor of more direct taxation.

2.5 The Administrative Goals of the Colonial State

The fiscal potential of incumbent groups, and the high level of military threat they posed, by was counterbalanced by another factor—that it was cheap and convenient to work through them. As the traditional administrators of the country, they had access a set of social networks and institutions that enabled them extract revenue from and administer justice to politically weaker groups. While the colonial regime could replace them with new men, either outsiders or members of non-landholding groups, such an effort would involve the creation of an expensive set of new institutions. In addition, the new administrators were likely to be inexperienced in their jobs and would certainly lack the veneer of legitimacy that had eased the extraction of their predecessors. In early 19th century Uttar Pradesh, for instance, the British found it difficult to find new buyers for the estates of rebellious or bankrupt landlords, since potential buyers knew it would be difficult, and perhaps physically dangerous, to collect rents and taxes as outsiders in the face of opposition from the relatives and clients of their predecessors (Metcalf 1979). When buyers could be found, they often offered little money to the government, since they were aware of the problems they would face in exercising authority.

Such efforts to replace indigenous elites wholesale thus tended to be both expensive and violent. In upper Burma, for example, the British found themselves unable to trust the lowland Burmans, against whom they were waging a large and atrocity-filled counterinsurgency campaign. The new regime thus ignored both the Burmese upper class and its institutions, instead importing bureaucrats and policemen from India, supplementing them with members of previously marginalized minority groups (Furnivall 1948). The result was a colonial state that had chronic difficulty both collecting taxes and maintaining law and order, problems that became evident in its swift collapses during the Saya San rebellion and the Second World War.

There were several means by which colonial regimes were able to avoid this kind of disruption, and incorporate existing elites into their administrative structure. The easiest to implement was to simply leave the precolonial institutions as they were, and allow them to continue their existing practices in return for their acknowledgement of European hegemony. This pattern, usually referred to as indirect rule, was very common within European empires, though there was considerable variation in the amount of autonomy allowed, the degree to which these institutions actually were reflective of traditional ones, and the political level at which indigenous rulers were allowed to operate. In French West Africa, for instance, traditional chiefs were little more than low-level bureaucrats, frequently unrelated to the traditional ruling lineages. British India, by contrast, included many princely states of considerable size, often ruled by the descendants of the eighteenth century rulers. While even the largest princely states retained no real independence, their existence enabled rulers to retain a measure of authority and influence, and the ability to offer jobs to their relatives and coethnics.

Even when the colonial power chose to administer an area directly, it could take steps to ensure that the existing elite retained a position of political importance. It could, for instance, hire members of the former ruling groups for positions within its bureaucracy, and provide them with educational opportunities. Even if it did not have a conscious policy on hiring, its choice of the language of administration and the cultural practices of the government could influence which groups sought employment there. In Northern India, for instance, the maintenance of Persian as the language of the courts until the 1870s favored official employment of Muslims, while its replacement by English disadvantaged them. Even when the government included few locals, the colonial regime, could favor or disfavor a group through the expropriation of property, a process that occurred all too frequently during the colonial period. Those traditional elites that maintained their land were in an excellent position to maintain some of their existing political position, often through the capture of local administrative and judicial posts.

2.6 Critical Junctures

Colonialism was a process that lasted at least several decades, and at most several centuries. During this time, colonial states were free, at least in theory, to pursue a wide variety of policies. However, the choices made in the period immediately after the conquest exercised a disproportionate influence on what options were available, since reversing these choices was often difficult or impossible. Most importantly, authorities at the time of conquest faced a choice as to which elements of the precolonial elite and institutional arrangements to retain. If they choose to destroy these institutions, future generations of officials would find it difficult or impossible to reconstruct them from scratch (Furnivall 1948). If they choose to retain them, later officials often found themselves tangled in a web of commitments that made dismissing local officials difficult.

Even when colonial officials choose to recruit their local agents from new groups, the choices made at the time of conquest tended to narrow their options later. At the time of conquest, European educational and political institutions were a novelty, and were not associated with any particular social group. After the first generation, however, the groups that had gained access in the early years would have a good chance of keeping that position in later years, due to their familiarity with and connections within the existing system. Changes to the institutional structure as a whole would also be frustrated by the interest group resistance and institutional stasis described in the literature on critical junctures, effectively freezing in place the patterns of favoritism that were seen at the time of the conquest. This is not to say that colonial policy would not evolve as the security situation changed: In India for instance, favoritism toward the martial races in military recruitment emerged only after 1857. However, we should expect such policy changes to be less effective in areas where they reversed earlier policies and challenged established interest groups than where they favored these groups.

2.7 Predictions

This section examined three major factors in the internal calculations of colonial bureaucrats: Suspicion of revolt and military threat, desire to raise revenue and the inconvenience and expense of replacing indigenous landholding elites wholesale. Military threat and fiscal necessity would tend to encourage discrimination against indigenous elites in favor of outsiders or less powerful groups, while administrative convenience would tend to encourage favoritism toward of the existing elite. While the influence of all these factors should change over time, they should be disproportionately influenced by circumstances at the time of annexation. In particular, the existence of a war in Europe at annexation should threaten the colonial regime and increase its need for money, and should thus be a strong negative predictor of the level of the regime's willingness to incorporate existing elites. Elite incorporation, in turn, should be associated with high levels of socio-economic status, since political power, western education and control over land all can easily be translated into economic resources. The hypothesized empirical relationship can be summarized as:

Wartime Annexation → *Colonial Military Threat* → *Low Elite Incorporation* → *Low Elite Socio-Economic Status*

Which can be restated as:

H1: In areas annexed at times when the colonial power is at war elsewhere, the pre-colonial elite will tend to have lower socio-economic status relative to other groups than in areas than in areas where colonial institutions annexed when the colonial power was as peace.

3 European Conflict and Military Threat

3.1 European Wars and Indian Policy

The idea that war and peace in Europe affected military strategy and fiscal policy in South Asia is echoed in the historical accounts of the period. In particular, European wars put increased demands on the colonial military. In the 1750s, this took the form of a regular war in South India, where the French had a sizable army and a territorial presence. After this period however, the threat outsiders posed to the British was less from the direct use of troops as from their potential influence over Indian powers. In Hyderabad, Bengal and Carnatic, there were recognized pro-French parties at court, and at Hyderabad in particular the French succeeded in using their control of the western-trained army to virtually dictate state policy. Indian rulers were well aware that the French presence gave them an outside option in the weapons trade—the first Anglo-Mysore War was prompted by Mysore's anger at the British capture of their former source at the French fort at Mahe 1779, itself a result of France's involvement in the American Revolution. Such contacts continued during the revolutionary wars, during which a large French military mission was sent to Mysore in 1798. European soldiers of fortune also contributed to the military efficiency of the Maratha and Sikh armies (Bidwell 1971).

These international connections caused considerable unease in the English camp, and it is notable how rulers who intrigued with the French were much more severely dealt with than those who did not. Tipu Sultan of Mysore, in particular, became something of an Anglo-Indian hate figure, with his alliance with the French taken as evidence as a global conspiracy against British liberties (Forrest 1970). After his defeat, Tipu's Muslim dynasty was deposed and replaced by a Hindu one. A similar process occurred in Bengal in 1760, where the British discovered that the Nawab, Mir Jafar was attempting to form a military alliance with the Dutch East India Company. This led to the deposition of the Nawab, the annexation of the coastal portions of his territory, and the further involvement of the Company in Bengali politics. Fear of French and Dutch involvement was also a major factor in the First Anglo-Maratha War (1775-1778) and the peace treaty that ended the war granted sizable territorial concessions to the Marathas in return for a promise not to have dealings with any other foreign power. These examples could be multiplied ad nauseam, even after 1815, where the Russian threat was often perceived as more threatening than the French one.

This concern is reflected in correspondence between colonial officials, who frequently comment on and debate the probable consequences of war and peace in Europe. To take one example, a sizable crisis within the governor general's council was caused by the news, in the spring of 1778, that France was planning to enter the American Revolutionary war, which lead Phillip Francis to call for a rethink of company policy.

> "I would wish that the board consider whether this unfortunate event in America ought not to have a general influence upon our measures here...and whether policy and prudence do not plainly indicate to us that, while the nation is so deeply engaged and pressed on one side, with everything to apprehend from the designs of France and Spain on the other, that we should stand on the defence." (Forrest and Hastings 1890: P.632.)

The poorer security situation during European wars was reflected in the Company's fiscal situation. Focusing only on years in which annexations took place, the company's military expenditure averaged 57.2% of expenditure in European war years and 46.2% in European peace years. (East India Company accounts, various years.) Combined with slightly higher civilian expenditure (often on war related expenses like ships, forts and debt service) the company's expenditure increased by 24% in European wartime.

3.2 Selective Annexation Policy?

The most obvious problem with identifying the effect of annexation timing is that while military conflicts in Europe might well affect the colonial state's military and fiscal strain, areas annexed in wartime might also be different from each other in a number of ways that might be correlated with their contemporary economic position. However, the historical evidence about particular annexation supports the idea that the timing of conquest in India depended largely on local political factors, such as the deaths of Indian rulers and British military success in India. If annexation processes were similar in wartime and peacetime, it would provide strong evidence that the annexed areas were similar.

One of the strongest pieces of evidence for this view is that annexation is uncorrelated with European War. Of the 251 1991 districts of India that were directly ruled, 78 (30.3%) were annexed during years of Europeans war, which covered 32.7% of the years during this period.[5] Figure One shows this pattern graphically: Annexation is just as prevalent in wartime as in peacetime.

Even more interestingly, military conflict in India is uncorrelated to military conflict in Europe. In European peacetime, the Company was at war with an Indian state in 56.7% of years, while in European wartime it was at war in 55.5% of years. While external aid meant that a few of the Indian conflicts fought in European wartime were especially hard fought (since they pitted the company against formally organized armies) this indicates that neither European nor Indian powers were initiating conflicts based on the European situation.

It might, however, be possible that the British had different "tastes" in annexing territories, and that these tastes were influenced by the military situation. There is not historical evidence for such careful consideration of local characteristics in annexation decisions, and it is not clear what such a mechanism might look like, or if it would tend to work for or against the hypothesis.[6] In fact, we will see in Section Five that wartime

[5] Of the 110 years from 1756 to 1865 (when the last part of British India was annexed) 36 were periods of European war.

[6] Mukherjee (2013) argues that the British were less likely to annex frontier districts at

and peacetime-annexed areas are similar on observables.

To further address the possibility that areas annexed in wartime are systematically different than those annexed in peacetime, the exogeneity of European wars to annexation time will be tested in Section Five and Section A-5, both by comparing the two types of areas on precolonial conditions and on variables that might affect annexation policy. Some of the important controls that have little effect of group wealth are the year of annexation, the political party in power in England, the fiscal situation of the East India Company, and the level of military conflict within India.

3.3 Problems of Identification

Even if European political events are exogenous to annexation policy in India, the assignment of Indian districts to wartime or peacetime annexation differs in several key respects from random assignment. Firstly, the time of annexation tends to be lumpily distributed in space, as the British annexed large tracts of territory at a time. The entire modern state of Bihar, for instance, was annexed at once in 1765. In this situation, not only will estimates of the effect of wartime annexation have inflated standards errors, but the coefficients may be biased, since regions might have different internal distributions of wealth. To address this problem, all reported results cluster their standard errors at the district level, to account for the non-independence of observations within districts. Some models also include fixed effects for precolonial states, to control for differences in wealth across regions.

Secondly, even within regions, districts annexed at times of European war might differ from those annexed at other times, perhaps because European wars are correlated with some underlying spatial difference. This is a particular problem since European wars were

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times of European War. This does not appear to be confirmed by the data, given the high pace of annexation in war and the fact that frontier districts have a lower probability of annexation at all times. Even if this suggestion is correct, however, it would not necessarily follow that areas annexed in European wartime are distinct in their social characteristics from those annexed in peacetime.

more numerous in the earlier part of the period of imperial expansion. To address this concern, Section Five discusses a series of tests of whether the wartime-annexed districts are identical to the peacetime-annexed districts in ways that we can observe, such as their topography, demography, and precolonial politics. As we shall see, after adjusting for regional clustering the war and peace annexed groups are substantially identical on observables. In addition, Section A-4 includes an extensive set of controls and robustness checks, designed to show that any difference between the two groups is not driven by differences in their spatial characteristics, or in the date of annexation.

Thirdly, the treated group, the landed castes, varies significantly in nature from region to region. In some areas, such as the northern Hindi-speaking states, the landed castes are generally "twice born," with a high status within the Hindu caste hierarchy, while in other states the landed elite is composed of slightly less prestigious upper peasant groups. Similarly, in some areas, the landed castes take in a small portion of the population, while in other areas they include a substantial plurality, including many poor people.

In a large sample where treatment is exogenous, this problem will be unimportant, since the cultural and economic differences among groups will tend to even out. However, the efficiency of this model can be improved by controlling for these differences. The major reported results include controls for the percentage of landed castes in the district and the interaction of that variable with a dummy for landed castes.

4 Data

4.1 Time of Annexation

In this study, the year of annexation is measured at the level of the 1991 district of India. This was chosen rather than the precolonial territory because many precolonial polities had different parts of their territory annexed at different times.[7] Jammu and Kashmir, the hill states of Northeastern India, and the directly-ruled union territories were excluded

[7] Districts are also the level at which spatial assignment was made, since information on location is not available below this level.

from the analysis.[8] The main analysis will code annexation as occurring in the year the East India Company formally acquired the right to collect taxes in a district, since the acquisition of taxing power implied making an immediate set of decisions about the status of incumbent elites. Annexation years and state boundaries were coded based on Schwartzenburg and Bajpai (1978) and Dodwell (1922).

To account for the spatial lumpiness of the wartime annexation variable, the reported models include fixed effects for precolonial states and have their standard errors clustered at the level of the district. For this purpose, precolonial states are coded based on the 1756 status quo and given in Schwartzenburg and Bajpai (1978) and Dodwell (1922). For this purpose, certain areas dominated by interrelated groups of small chieftains, such as the Sikh confederacy in the Punjab, were coded as single polities. Altogether this method divided India into 84 18th century states, of whom 36 had some portion of their territory directly annexed.

4.2 The Landed Castes

Defining social groups in the Indian context is a complicated process, since groups are often nested within the others, or part of cleavage dimensions that crosscut each other. In this paper, I use the basic unit of the caste system, the jati.[9] Jatis are of relatively small size, and are often tightly specialized by occupation, making the sorting of jatis into landholding classes relatively straightforward. Also, since caste as a dimension was highly relevant to colonial policy makers, (Dirks 2002, Author. 2013a) we have reason to expect that any British favoritism would be directed along caste group lines.

Only a few of these castes, however, have the traditional social prestige and connection with landed political power that defined the precolonial elite. I code these landed castes based on the provincial volumes 1911 census, which listed the traditional occupations for

[8] These areas were either not colonized by Britain, were developed in the 20th century, or are border regions with long histories of civil conflict.

[9] Jati is self-reported in the 1998 National Family Health survey. Individuals reported thousands of spelling variants and local titles, which were recoded as the main caste.

groups as defined by the colonial authorities. I coded as landed castes whose traditional occupation was listed as "landowning," "military" or "dominant."' This is obviously only an imperfect measure of precolonial elite status. In Table A-13, I show that the results are robust to a wide variety of alternative definitions of "landed caste," including defining all upper castes as "landed."

4.3 The Dependent Variable

The dependent variable of interest in the modern era is the socio-economic status of individuals. Socio-economic status is a broad concept, and includes not only wealth but education, occupation and generalized level of social status. The main results will concentrate on wealth, measured at the household level. Wealth was chosen because it is relatively well measured, and because it is less influenced than some other elements of socio-economic status by changes in state policy over the past few decades. The major results are robust to substituting education, nutrition, and professional employment as the dependent variable.

The individual data was taken from the second round of the National Family Health Survey, conducted in the cool season of 1998-1999 and made available in a recoded version through Measure DHS (International Institute for Population Sciences 2000).[10] Unlike the vast majority of Indian surveys, the NFHS records the actual caste of the individuals, making it uniquely suitable for studying group-level redistribution. The data was collected through a clustered design with the clusters representing either urban neighborhoods or rural villages.

Within the NFHS data, wealth is measured as a factor score based on whether a household possesses a set of household goods or improvements, such as radios, bicycles, paved floors and kerosene stoves. This indirect approach to measuring wealth is common in surveys in poor countries, given that many households hold large portions of their

[10]This round of the NFHS was chosen because it is the most recent to include information on the home district of respondents.

wealth in assets that are not easy to value in cash. By construction, this measure has a mean of zero and a standard deviation of one.

4.4 The Unit of Analysis

The quantity of interest for the theory is the difference in wealth between landed and non-landed castes in different types of districts. The unit of observation is thus the district-caste category, with two observations per district (one each for landed and non-landed groups.)

There are a variety of alternative ways of organizing the analysis, none of which affect the results substantively. These include confining the dataset landed castes and estimating the effect of threat directly, taking the differences in category wealth for each district as the quantity of interest, taking the district-jati as the unit of observation and taking the household as the unit of observation (preserving the original structure of the survey data). These alternative specifications are reported in Table A-9.

4.5 Estimating Equation

Since we are interested in the effect of Wartime Annexation on Landed Castes, the independent variable of interest is the interaction of these two variables. The basic model, estimated as Model One of Table Two, is thus:

$$Wealth_{cd} = \pi LandedCaste_c + \delta WarAnnex_d + \rho WarAnnex_d * LandedCaste_c + \epsilon_{jd} \quad (1)$$

With $Wealth_{cd}$ being the wealth of each caste category-district and ρ being the coefficient of interest.

In all these models, the standard errors will be clustered at the district level, to account for the possible non-independence of observations of group wealth within districts.

5 Results

5.1 Balance

Were regions annexed are time of European war similar to regions annexed at times of European peace? Figure Two shows the distribution of wartime-annexed districts relative to princely and peacetime-annexed districts. The princely states possess a distinct spatial pattern, being concentrated in inland areas and in the west of the subcontinent. The relative distribution of annexation dates relative to European war is less distinct. On the one hand, the annexation of whole regions at the same time means that the distribution of wartime annexation is spatially clustered. On the other hand, these regional concentrations do not appear to be correlated with any of the superregional distinctions within India well-known to scholars, such as the distinction between north and south, and between zamindari and non-zamindari land tenure. Within states, the divisions between annexation dates are fairly arbitrary. We should thus expect the differences between the treated and non-treated samples to be minor after accounting for the lumpiness of the data.

Columns One, Two, Three and Four of Table A-2 shows the results of a series of balance regressions of precolonial observable variables across districts, with wartime annexation being the dependent variable, and the standard errors clustered by precolonial states. Column One focuses on geographic and climatic variables such as the type of soil and the distance from the sea, Column Two focuses on economic and political variables such as the ethnicity of the precolonial ruler and the durability of their regime. Column Three focuses on indicators of the fiscal health of East India Company: its level of military expenditure, non-military expenditure, and land taxation. As expected, the level of military expenditure is higher in war annexed areas than elsewhere, while other levels are similar. Column Four focuses on ex-post demographic variables such as the percentage of Muslims and members of Scheduled castes and scheduled tribes in the population. Wartime and peacetime-annexed areas do not appear to differ substantially on any of these variables. The only statistically significant differences concern precolonial changes in sovereignty (at the 10% level), and alluvial soils. Given the large number of variables in the specifications, the statistical significance of these variables may well not be causal. The online appendix shows that variation in these variables does not appear to be driving the reported results. These results underline a basic aspect of the research design: That areas annexed in European and wartime and European peacetime were relatively similar to each other at the time of annexation.

5.2 The Raw Data

Hypothesis One predicts that differences in the *relative* wealth of landholding and non-landholding castes should be related to the circumstances of their annexation. These differences are in fact apparent in the raw survey data. Table One shows the mean levels of caste wealth by annexation status. In the princely states, where the redistributive impact of colonialism was minimal, we should expect the differences between landholding and non-landholding groups to be substantial. This is in fact what we observe: In princely states, landed groups having an average wealth score .22 of a standard deviation higher than their non-landholding peers.

The difference between landed and non-landed groups is even larger in areas annexed at times of European peace, where .42 standard deviations separate the two groups. By contract, in areas that were annexed at times of European war, this pattern is completely reversed, with landed groups being slightly poorer than non-landed ones, by .17 standard deviations. The difference in intergroup differences between the two types of directly ruled areas is the variable of interest, corresponding to ρ in the estimating equations. The fact that this difference is so substantial, at .59 standard deviations, provides strong support for Hypothesis One.

These differences among groups and regions are shown graphically in Figure A-1. In indirectly ruled and peacetime-annexed areas, landholding groups have a higher economic status than non-landholding groups in 1998. This presumably reflects the precolonial situation, where these groups were substantially wealthier than the rest of society by virtue of their control over the primary economic asset. However, landed groups are actually poorer than non-landed groups in areas annexed in peacetime.

5.3 Main Results

Table Two shows the results of a set of linear regressions with household wealth as the dependent variable. The standard errors in each model are clustered by districts. In each model, the independent variable of interest is the interaction of the wartime annexation and landed caste variables. Hypothesis One predicts that this variable will have a negative value, indicating that landed groups in areas annexed at times of military threat do poorly relative to their coethnics elsewhere in India.

The main specifications test this by measuring the interaction effect between landed castes and colonial annexation.[11] Model One includes only the coefficients of interest, without any fixed effects. The effect of wartime annexation on landed groups is substantial and negative, being associated with a lower wealth score of -.59 standard deviations. While in areas annexed at times of European peace the average landed group has a wealth score of .42 higher than the average non-landed group, in a annexed at times of European war the landed groups are .17 standard deviations poorer. Interestingly, the direct effect of wartime annexation is small and statistically insignificant, indicating that non-landed groups have very similar levels of wealth in wartime and peacetime-annexed areas, consistent with the claim that these areas are similar to each other than for the redistributive impact of European conflict.

Model Two adds controls for the size of the landed castes within each districts, and the interaction of that measure with the landed caste variable. This variable is intended to account for the inescapable economic differences between small landed elite groups and larger, more inclusive ones. Since large landed groups (such as the Marathas) tend to be poorer than smaller, less heterogeneous groups (like Rajputs) controlling for groups size improves estimates of the effects of colonialism. Interestingly, the effect of a large landed caste population is very substantial and negative, showing that, notwithstanding colonial favoritism, is difficult for a large group to maintain a consistently high socio-economic

[11] See Equation One.

status. Model Three adds fixed effects for precolonial states as they existed in 1756. After including this variable, the effect of wartime annexation on landed castes is still statistically significant and negative.

Could these results be based on some unobserved spatial difference between districts? Model Four concentrates on districts which border a district of different annexation status. These districts should be presumably differ from each other on unobservables much less than districts in the full sample. Among border districts, the negative effect of wartime annexation on landed groups remains strongly negative.

Model Five of Table Two adds dummy variables for each precolonial state and the interaction of the landed caste variable with those dummies. This means that in this model the reported differences in wealth between the two types of landed groups are a product of within state differences (since cross-state differences in landholding group wealth are perfectly predicted by the new vector of fixed effects). The effect of wartime annexation remains statistically significant and negative, and in fact rises substantially relative to the main fixed effect model.

One interesting aspect of the data is that non-landed groups have very similar levels of wealth in war-annexed and peace-annexed areas, meaning that they have benefited relatively little from the changes in landed caste status. The creation of new, often urban, elite groups was a common feature of colonial rule, as in the first educated groups in French West Africa (Meillassoux, 1970). Qualitative evidence indicates that the British sometimes pursued this policy in India, and historical accounts have frequently argued how groups such as Pharsis, Marwaris, Kayasths and Brahmans benefited from British rule. It is difficult, however, to identify any such effects in the NFHS data, indicating that the distributive effect of colonialism occurred primarily due to the weakening or strengthening of traditional elites, rather than the creation of new ones.[12]

The fact that policies that hurt the landed caste do little for non-landed groups may

[12]The wealth of upper caste non-landed groups, such as Brahmans and Kayasths, is slightly higher in wartime annexed areas, but this difference is not statistically significant. Coding these groups as landed does not change the reported results.

result from the fact that state institution in war-annexed areas are employed very people of any caste Figure A-2 provides some evidence to support this contention, showing that areas annexed in wartime have slightly lower levels of government employment in the late colonial period.

5.4 Princely States

Not all areas of British Indian were directly ruled—in many areas of India, the British let local princes retain considerable autonomy. This lack of annexation is another possible mechanism through which colonial rulers could favor or disfavor incumbent elites, since Hypothesis One made no distinction between the maintenance of native elites in their existing positions through mechanisms such as indirect rule or the active incorporation of these elites within western-style institutions. Both policies have similar observable implications, since they will allow the landholding elites to maintain or expand their existing economic advantages. Indirect rule may thus be an alternative pathway by which landed groups may benefit from colonialism, or at least minimize their losses.

The results reported above deal only with directly ruled areas, since it is only possible to analyze the effect of military threat at the time of annexation in areas that were actually annexed. In addition, we have strong reason to believe that indirectly ruled areas might differ substantially from directly ruled areas in their level of precolonial political and economic development (Gerring et. al 2011, Iyer 2009).

However, we might expect the positive effect of indirect rule on landed castes to be more limited than the effect of direct rule by a militarily secure colonial state. The majority of the princely states of India, like indirectly ruled polities in other parts of the world, tended to centralize power in the hands of a single ruler and his friends and relatives, and distributed resources through informal channels that marginalized groups not connected to the ruler. The Raput rulers of Rajasthan, for instance, distributed resources to Rajputs and a few Brahmans, excluding the large and relatively wealthy groups of Jat cultivators. We might thus expect the effects of indirect rule on the landed class as a whole to be mixed, with the ruler coethnics benefiting at the expense of other landed groups.

Table A-3 tests the effect of princely rule on contemporary distributions of wealth. Model One codes princely states as having been annexed at times of European peace, while Model Two codes the princely states separately, adding measures of wartime annexation. Whichever model is chosen, wartime annexation has a significant and negative effect on landed castes, with the effect being somewhat larger than that estimated in Table Three. The effect of princely rule on landed castes, however, is small and statistically insignificant. One possible reason for this is suggested in Model Three, which examines the effect of indirect rule on the caste group of the ruler. District-Castes from the same caste category as the state's ruler tend to have a higher level of wealth than members of the same caste without this advantage. This would tend to support the hypothesis that, even if indirect rule does not benefit the landed class as a whole, it does tend to benefit the ruler's relatives and dependents. It also shows that the logic of the theory extends outside the subset of Indian districts that were formally annexed.

5.5 Additional Observable Implications: Persistence, Policy and Local Conflict

Several obvious weaknesses of the analysis stem from the gap between the war annexation measures and wealth in 1998. Firstly, they provide no evidence for specific policy interventions of the colonial government that would lead to the results we see today. This is a result of necessity: Most of the policies that Sections Two and A-2 mention as potentially important in disfavoring landed groups, like favoritism in official hiring, are hard to measure at the district level. Section A-3 provides a partial answer to these objections, by focusing on a single policy mechanism—land confiscation by court sales—in a single state, Oudh. Areas of Oudh annexed in wartime have higher levels of land confiscation than areas annexed in peacetime, and these confiscations are strongly correlated with the percentage of land owned by landed castes at the turn of the century. These results are particularly striking because they show that different colonial annexation experiences can create different social outcomes in areas with very similar preexisting conditions.

Another weakness of the analysis is that European Wars, might have a very remote effect on European perceptions of threat relative to endogenous local conflicts and local attitudes to the British. Section A-4.1 focuses on shows that endogenous measures of the level of threat to the British, like resistance to the British at annexation and disloyalty to them during the 1857 revolt, have the same negative effect on landed group status as the effect of European war. This provides evidence that the main results are not an artifact of focusing on one specific type of military conflict or source of military threat.

While Hypothesis One implies that cross regional differences in landed caste wealth should exist in the 19th and early 20th centuries as well as today, the main analysis does not measure this persistence. Section A-4.2 addresses the question of persistence, using the fragmentary available data to show that the patterns evident in Table Two were already apparent in province level data from the late colonial-era. Similar results are found in the historical cases studies in Sections A-2 and A-3.

5.6 Additional Alternative Hypotheses and Specifications

The effects of European wartime annexation might be the effect of some difference in colonial policy or historical circumstance associated with European wars. Section A-5 shows that several of the most important factors influencing colonial policy—the time of annexation, the military situation in India itself, the partisan composition of British governments, and the financial situation of the Indian government—do not affect the relationship between wartime annexation and landed group wealth.

A large number of potential confounding variables are tested are tested in section A-6. A non-exhaustive list of these include the presence of colonial urban areas, the effects of the partition of Indiathe presence of religious minorities, individual movement between caste groups, the system of land tenure, the presence of "martial" caste groups, 20th century economic growth, total inequality, the soil composition (the one dimension on which the wartime-annexed areas differed from peace annexed areas in the balance test,) and the precolonial wealth of the territory. None of these factors substantially change the basic results, and very few seem to differ in their direct effects between the treated and non-treated samples. Section A-6 also examines several alternative ways of designing the specifications (including using the district and individual as the unit of analysis and varying the definition of landed groups) and of measuring the independent variables (including using the signing of treaties as an alternative to the date of annexation.)

6 Conclusion

The data presented in the last few sections displays a few simple patterns. Geopolitical patterns at the time of colonization, in particular the level military and fiscal pressure on the colonial power, are associated with differences in the socioeconomic status of groups. In areas where the colonial institutions were created under the threat of a military challenge sponsored by a rival European power, powerful landed groups suffer a dramatic reversal of fortune, becoming poor relative to both their former political inferiors and their coethnics in other regions. In areas annexed in peacetime, precolonial elites were able to maintain their economic status relatively comfortably. This difference in the persistence of precolonial patterns was already evident in the late colonial period.

The redistribution of wealth that began under colonialism would have long term consequences for the politics of India. In areas where landed groups were dominant, they have tended to dominate post-independence politics, leading to a set of policies that benefit rural groups and often neglect lower status social groups. Challenges to the power of the landed class have tended to be either very weak or highly confrontational in tone. In areas where urban elites were economically strong, such as West Bengal, politics has tended to be more redistributive in tone.

These results have obvious implications for students of the politics of other parts of the developing world where intergroup differences in wealth are traced to colonial policy, such as Nigeria, Malaysia, Indonesia, and the Sudan. At a minimum, they offer an explanation for why some groups tended to benefit from colonialism more than others, and why colonialism in some places had socially revolutionary effects. They also contribute to the larger literature on colonialism, by showing that the distributional consequences of colonialism can be just as substantive and long-lasting as the institutional ones so commonly discussed in the literature. Finally, it suggests an interesting, and largely unstudied, set of questions on causes of policy variation within colonial regimes and the strategic choices made by colonial rulers, showing that the incentives of these rulers are not just significant, but changeable.

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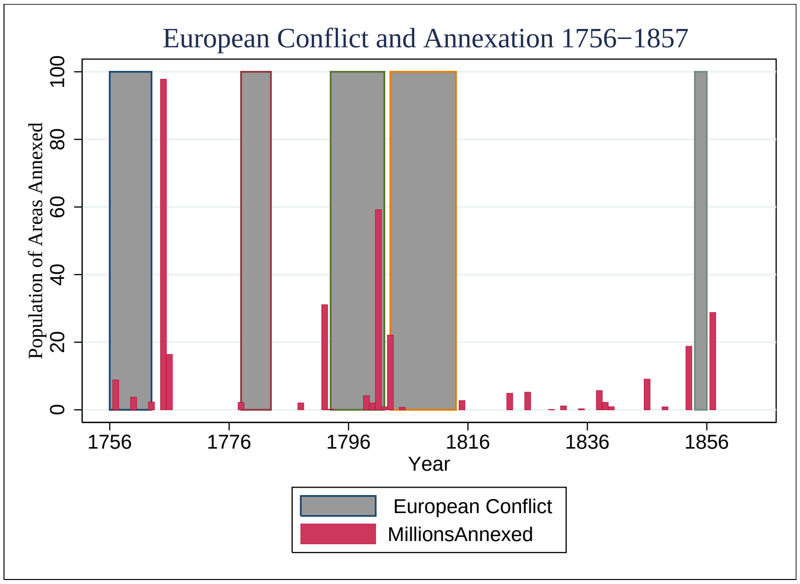
Figure 1: European Wartime and Indian Annexations



Grey areas indicate European wars. Red bars indicate millions of Indians annexed to British India, based on the 1901 census.

Figure 2: Types of Annexation in India

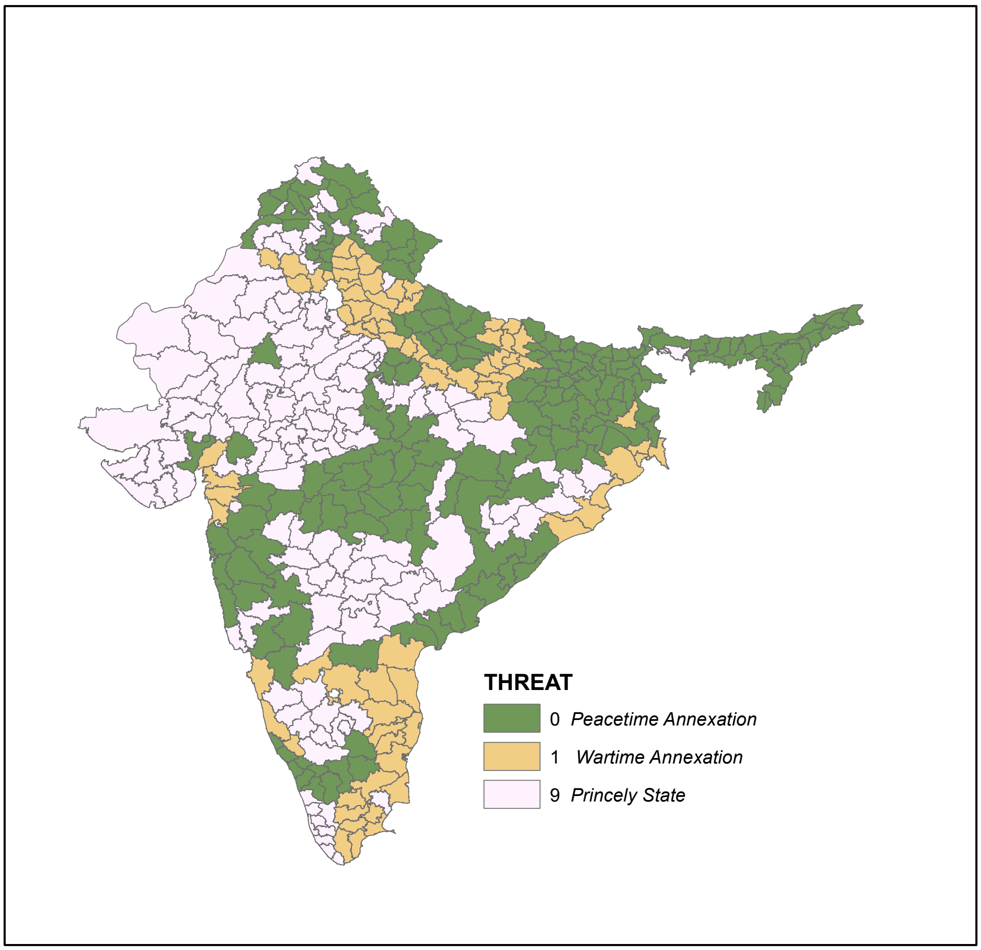


Table 1: Wealth by Annexation History and Caste in India

Annexation Status			
CASTE	Peacetime	Wartime	Princely
Non Landholding Caste	-0.124 (1.01) N=30400 n=170	-0.0751 (0.973) N=16384 n=55	-0.075 (0.976) N=22028 n=112
Landholding Caste	0.300 (0.94) N=3233 n=170	-0.242 (0.85) N=949 n=79	0.142 (0.93) N=1982 n=133
Differences	0.42 (0.01) p=0.000	0.17 (0.03) p=0.000	0.22 (0.02) p=0.000

The first number in each box is the weighted sample mean for that category, with its standard deviation in parentheses. N represents the number of survey observations in each category, while n represents the number of category-districts. The numbers in the third row are the between group differences, their standard errors, and the p value of the two tailed test. As explained in Section 4.4, these observations are collapsed to the district-category level in the main analysis, weighted by the number of observations.

Table 2: Main Results: Linear Regression with Wealth as the Dependent Variable

	(1)	(2)	(3)	(4)	(5)
VARIABLES	Basic Model	Pop. Controls	State FE	Border Dist.	State *Caste FE
Landed Caste	0.425***	0.649***	0.519***	0.548***	1.012***
	(0.0588)	(0.123)	(0.0698)	(0.106)	(0.0228)
Wartime Annexation	0.0489	0.108	0.334*	0.0250	0.335*
	(0.132)	(0.126)	(0.190)	(0.114)	(0.198)
Wartime Annex.	-0.592***	-0.672***	-0.300***	-0.287**	-0.415**
*Landed Caste	(0.121)	(0.124)	(0.112)	(0.127)	(0.181)
District Prop.		1.69***	0.177	0.286	0.181
Landed Caste		(0.794)	(0.453)	(0.565)	(0.499)
Dist. Prop. Landed		-2.07***	-1.853***	-1.788**	-1.969***
Caste* Landed Caste		(0.707)	(0.430)	(0.854)	(0.684)
Constant	-0.173	-0.373**	-0.558***	-0.288	-0.100
	(0.203)	(0.167)	(0.214)	(0.188)	(0.241)
Observations	443	443	443	175	443
R-squared	0.030	0.085	0.527	0.023	0.533
State FE	NO	NO	YES	NO	NO
State*Landed FE	NO	NO	NO	NO	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Linear regression with household wealth as the dependent variable. The unit of observation is the district-caste category, weighted by the number of sampled households. The standard errors are clustered by districts. The column headings describe the type of model used.