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Impoverishing a Colonial Frontier: Cash, Credit, and Debt in Nineteenth-Century Afghanistan

Fernand Braudel invokes a useful turn of phrase to convey the disorientation experienced by a local French community when first exposed to the growing global forces of money and credit during the medieval period. In typically erudite fashion he says:

> This uneasiness was the beginning of the awareness of a new language. For money is a language . . . it calls for and makes possible dialogues and conversations; it exists as a function of these conversations.[1]

If money is a language, there have been many tongues spoken in Afghanistan throughout recorded history. More intriguing than the historical depth of money use in Afghanistan is the multiplicity of currencies that have circulated there at any one time. Braudel makes useful distinctions between three different "dialects of money." The first is metallic money or state currency. He also identifies paper bank notes, including bills of exchange, which are the most important of all instruments of credit and are critical for long-distance trade. Braudel's third category is scriptural money that functions strictly as a textual or book money used for account-keeping purposes.[2] All of these forms of money are historically evident in the political space now known as Afghanistan.

This essay deals with relationships between cash, credit, and debt in nineteenth-century Afghanistan. Specific attention will be paid to the contexts that transformed relationships between individuals and groups handling metallic state currencies and private bills of exchange.[3] The narrative will demonstrate that despite two failed invasions of the country during the 1800s British Indian colonialism had a determining influence on the Afghan economy and polity. The argument being advanced is twofold. Firstly, because Afghanistan was a growing

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[1]Fernand Braudel, *Capitalism and Material Life, 1400–1800*, tr. from French by Miriam Kochan, (New York, 1973), 328. Medieval here is delineated as 1400–1800.

[2]Dialects of money is my phrase, but the cue comes from Braudel, *Capitalism and Material Life*, 357–372. Especially useful is Braudel's honing in on the "theoretical frontier separating money and credit," 358. See Braudel, 367, for his claim about the bill of exchange.

[3]The use of book money in Durrani state financial records is explored in Shah Mahmoud Hanifi, "Inter-Regional Trade and Colonial State Formation in Nineteenth-Century Afghanistan" (Ph.D. diss., The University of Michigan, 2001), 167–201.

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receptacle for British Indian currency, its economy became increasingly integrated with and dependent upon colonial capital and markets. By 1880 Anglo-Afghan relations stabilized around a ruler in Kabul during whose reign Afghanistan's boundaries were drawn and its administrative and bureaucratic institutions expanded. In this regard I argue that an increasingly strong state generated increasing economic hardship for ordinary Afghans.

The following will therefore explore the hypotheses that Afghanistan was in fact a fiscal colony of British India and that the relatively strong, colonially contrived state that took shape at the end of the nineteenth century in Afghanistan entailed substantial economic hardship and regression for the overwhelming preponderance of those living in the country. The dire poverty characterizing Afghanistan originated at this time and generally accelerated during the twentieth century. The following examination of relations between the institutions and social groups identified with money, credit, and debt during two key episodes of Anglo-Durrani state formation is based on British colonial archival data housed in South Asia.[4]

In nineteenth-century Afghanistan, a number of social groups and financial institutions and instruments were associated with cash, credit, and debt. The most important institutions regarding cash were the mints that produced state coinage. State authorities, both Afghan and British, maintained vested interests in the production and circulation of their own and each other's silver-based *rupee* currencies. In terms of credit, the key fiscal instruments were bills of exchange known in Afghanistan as *hawalas* and elsewhere as *hundis* that circulated widely within and moved regularly through the country.[5] Representatives of the Indian merchant diaspora, known locally as *Hindkis* and in other contexts as *Multanis* or *Shikarpuris*,[6] were the primary handlers of hawalas and other varieties of credit including cash advances. Wherever credit can be found debt will be evident, and the greater part of this paper will consider the dynamic between credit and debt in the context of state-society relations.

The history of nineteenth-century Afghanistan is punctuated by two wars with British India. The first Anglo-Afghan war from 1839 to 1842 culminated the initial

[4]From 1995 to 1997 I consulted sources at the National Archives of India in New Delhi (hereafter *N.A.I.*), the North-West Frontier Provincial Archives in Peshawar, the Tribal Affairs Research Cell in Peshawar, the Punjab Provincial Archives in Lahore, and the National Documentation Centre in Islamabad. I gratefully acknowledge support for these research activities from the Social Science Research Council (with funds provided by the American Council of Learned Societies and the Near and Middle East Research and Training Act), the Council of American Overseas Research Centers (through the American Institutes of Indian and Pakistan Studies), the American Institute of Iranian Studies, and The University of Michigan Graduate School.

[5]In the following I will alternate usage of the terms hawala and hundi in reference to bills of exchange.

[6]The Indian merchant diaspora and their handling of hundis has been examined by a number of authors including Stephen Dale, *Indian Merchants and Eurasian Trade, 1600–1750* (Cambridge, 1994), Scott Levi "The Indian Diaspora in Central Asia and its Trade, 1550–1900" (Ph.D. diss., University of Wisconsin-Madison, 2000), and Claude Markovits, *The Global World of Indian Merchants, 1750–1947: Traders of Sind from Bukhara to Panama* (Cambridge, 2000). Markovits prefers the phrase "merchant network with a center" to the concept of diaspora for the Sindi communities he examines.

"experimental" phase of a very well known but poorly understood inner Asian colonial encounter. British colonial interest in Afghanistan during this period started in 1809 with international diplomatic concerns about French and Russian expansion and ended with a series of commercial experiments involving an Afghan nomadic trader-entrepreneur and a scheme to open up the Indus River for large-scale commercial navigation which prompted a British military occupation of Kabul that failed miserably.[7] The second Anglo-Afghan war from 1878 to 1880 was motivated by renewed fears of Russian expansion towards British India's northwest frontier. Its conclusion was predicated on a British military withdrawal and a new framework of interaction involving regularized cash subsidies to their appointed ruler of Kabul, the Durrani Amir Abd al-Rahman (r. 1880–1901) that ushered in a period of "routinized" relations between two very asymmetrical powers. In return for this windfall of capital Abd al-Rahman allowed the British to conduct his relations with powers located outside of the territory only recently defined as *Afghanistan* by newly imposed boundaries, unprecedented fiscal realities, and international diplomatic dynamics.[8]

Cash and Credit During the First British Occupation of Qandahar and Kabul

The relationship between colonial authorities and Indian bankers concerned both the cash and credit realms of economic exchange. The cash-based interaction unfolded primarily in Qandahar where the British encountered unexpected difficulties from their own troops when trying to institute a currency exchange-rate change. This money matter was more of a short-term concern than the credit-based exchanges between the British occupation authorities and Indian bankers in Kabul. The British occupation came to an end in the capital city they helped define as such. At its very end, the occupation force was by default led by a colonial officer who, during the most dire of straits, negotiated the receipt of large sums of cash from bankers in Kabul. These transactions posed a very real threat to the fiscal solvency of the British East India Company because of the way the Afghan occupation ended and the resulting loss of large sums of North Indian merchant capital. The demise of the Indus Army in Afghanistan posed a long-term financial challenge for the British.

[7]Mounstuart Elphinstone was the first colonial official sent to secure a diplomatic relationship with the Durrani rulers of Kabul in 1809. From then until 1842 Alexander Burnes, Mohan Lal, and many other colonial officials and non-official functionaries visited and resided in the region. Most of these individuals commented on the prominence of the Hindki communities in Afghanistan, although that particular designation was not uniformly employed. See Mountstuart Elphinstone, *An Account of the Kingdom of Caubul*… (Karachi, 1992 reprint of 1815 edition), I: 412–415; Alexander Burnes, *Travels into Bokhara*… (New Delhi, 1992 reprint of 1834 edition), I: 168–170; and Mohan Lal, *Travel in the Punjab, Afghanistan, and Turkistan*…(Calcutta, 1977 reprint of 1846 edition), 268. I have estimated that Hindkis comprised between 6% and 12% of the population in nineteenth-century Afghanistan. See Hanifi, "Inter-Regional Trade," 108, footnote 146.

[8]The British subsidization of Abd al-Rahman is addressed in Hanifi, "Inter-Regional Trade," 255–299.

During October and November of 1840, roughly a year before the occupation's end, the British political agent in Qandahar, Henry Rawlinson, exchanged letters with his superior Macnaughten in Kabul about plans to institute a shift in the exchange-rate between a local currency, the Qandahar rupee, and the Company rupee.[9] Rawlinson's attempt to fashion a greater role for Company rupees in Qandahar was motivated by the success of similar efforts in Kabul. British officers recognized the important role of the colonial army in spreading Company coin throughout occupied territory. Correspondence between Rawlinson and Macnaughten concerned precisely when and how to implement the local exchange-rate change. Their discussions highlight the complex relationships between the metallic currencies circulating in a given locality and the money-market rates for bills of exchange involving at least one of the currencies affected by the proposed rate change. With widely-circulated bodies of information about the profits turned by Hindki bankers on exchange-rate transactions and Macnaughten's direct advice, Rawlinson certainly knew about some of the obstacles to the enactment of a new exchange-rate scheme, but he was not able to prepare for all possible complications. The interaction between cash coinage and paper credit can easily confuse participants and distant analysts alike, especially during conversion sequences occurring, like this one, when monetary values fluctuate rapidly. No less an authority than Braudel refers to this interplay as "not only complicated but diabolical."[10]

Rawlinson wanted to devalue the local Qandahar rupee by approximately 11 percent in relation to the British Indian or Company rupee. Instead of the then current Qandahar Rs. 133 1/3 for every Company Rs. 100, he wanted to make the exchange rate Qandahar Rs. 150 for every Company Rs. 100.[11] He did at least two things in an effort to secure the greatest possible advantage for the Company during the expected transition to the new rate. Before announcing the change he quietly collected as much Company currency as possible, while concurrently dispensing with the Qandahar rupees held in the local Indus Army treasury.[12] The Company agenda was to pay the occupation troops in its own rupees, and by

[9]"New Exchange Rate Between Qandahar and Company Rupees," *N.A.I., Foreign Secret Consultation* (hereafter *S.C.*), 11 Jan. 1841, Proceeding Nos. 58–60.

[10]Braudel, *Capitalism and Material Life*, 358.

[11]"New Exchange Rate Between Qandahar and Company Rupees," *N.A.I., Foreign S.C.*, 11 Jan. 1841, Proceeding Nos. 58–60.

[12]It is unclear whether Army of the Indus maintained a mobile mint in its treasury. It is appropriate to describe the location of the Qandahar mint because it aids the understanding of indigenous surveillance structures and information networks that would likely have borne upon who came to know what and how about the planned exchange-rate change. The following description comes from "Qandahar: Account, Taxes, Duties," *N.A.I., Foreign S.C.*, 30 Apr. 1858, Proceeding Nos. 46–51: "In the Bazaar-i Shahi stands the '*kotwali*' and mint. One kotwal, a *naib*, four *jemadars* and twenty six *chupprassies* with an additional five men for the protection of the *charsook* is the entire police force of the city. Each jemadar has his own beat extending over about 19 *muhallas* each of which has a muhalladar over them who looks after the internal management of his own portion, but seldom interferes in police matters, and is not paid by government but receives a trifle at all births, marriages, and deaths."

taking such steps Rawlinson was trying to avoid having to enter Qandahar's hundi-based money market for Company rupees, which would have been both an ironic and expensive undertaking. He expected that as soon as the rate-change plan was announced or even rumored the local Hindki bankers, moneychangers, and currency dealers in Qandahar would elevate the bill of exchange rate from the current 4 percent to at least 10 percent, and maybe even 12 percent.[13] He was trying to avoid such potentially heavy losses by having Company rupees and not the Qandahar variety on-hand. Rawlinson's surreptitious gathering of Company rupees from the local economy was successful in the sense that he achieved that end without his scheme becoming known to the local Hindki community, but it was apparently incomplete in terms of having acquired the necessary amount.

Rawlinson was also successful in purging his treasury of Qandahar rupees, but this achievement was simultaneously viewed as a potentially worrisome point. Rawlinson knew that if he were forced to enter the hundi-based money market for Company rupees the 150:100 rate would apply to his disadvantage in the first instance. Compounding that problem was his knowledge of local banking practices, which required one-third of the total value of such a transaction in Qandahar rupees as up-front security, and he now lacked that form of money. However, it was the unexpected that proved most troublesome for Rawlinson. Although he had been able to keep news of the exchange-rate change from the local Hindki banking community and dispense of Qandahar rupees, Rawlinson could not suppress information about his actions on those fronts from his own troops, who cried foul. The Company troops in Qandahar held mainly Qandahar rupees, and they demanded to exchange them at the Company treasury at nothing less than the prevailing 133 1/3 to 100 rate. Now foreseeing an unexpected run on the Company's money in an amount he had not yet accumulated, Rawlinson decided to delay instituting the new rate.[14]

As a result, for a short time the colonial foot soldiers had the opportunity to dispose of their Qandahar currency on the open market, or exchange it at the rate of 133 1/3 to 100. During this transition period of a few weeks during October and November 1840, it is unclear whether local Hindki bankers learned of the impending change. When the new rate was finally made official on 1 December, Rawlinson found himself in possession of nearly a *lakh* of this local money, or Qandahar Rs. 100,000, a currency form and volume he had recently taken steps to purge from the occupation army's treasury.[15] To dispose of this batch of devalued rupees unexpectedly returned by his troops,

[13] "New Exchange Rate Between Qandahar and Company Rupees," *N.A.I., Foreign S.C.*, 11 Jan. 1841, Proceeding Nos. 58–60. These appear to be monthly interest rates, although their exact terms, such as when they commenced and how they were compounded, remain unclear.

[14] "New Exchange Rate Between Qandahar and Company Rupees."

[15] A lakh was an extremely prominent unit of measurement in the British colonial world and it conforms to our "one hundred thousand" but is written with an extra comma that does not conform to our current rendering of numbers. In the following, numeric punctuation deriving from the British colonial designation of a lakh, or "one hundred thousand" rupees, as 1,00,000 will be retained only in quoted sources.

Rawlinson used them to pay the "camel contract," the local Afghan official in charge of providing camels used to supply and transport the occupation army. The recipient of the devalued currency was known as the provincial *qafilabashi*, or state-appointed superintendent of transport. The qafilabashi would have passed any received losses on to the nomadic commercial carriers it was his duty to identify, organize, and regulate, and from whom camels were conscripted. In turn these local tribal trader-carriers, that is the *kuchis*, Lohanis, and *pawindahs*, would have cycled those deficits into one or a collection of exchanges and transactions remaining for that single commercial season, or more probably, rolled the losses into a forthcoming season's calculations.[16]

Rawlinson's dilemma lay in his inability to avoid engaging Qandahar's hawala-based money market. As just noted, the everyday terms of credit provided by local Hindki bankers to the occupation army in Qandahar was four percent per month. This is twice the sum cited by Yang as an average amount of monthly interest charged on hundis in colonial Patna.[17] Bills of exchange were the defining fiscal instrument of the Qandahar money market, and their issuance structured the circulation of cash currencies as well as credit and debt relations in the locality. Bills of exchange served similar purposes in other locations throughout South and Central Asia.

According to Braudel, bills of exchange had a dual nature.[18] First was their official role as a form of long-distance payment necessary in large-scale trade. More significant for our purposes is Braudel's distillation of a second function for bills of exchange, namely, a debt-servicing aspect. According to Braudel, a bill of exchange could also serve as "a concealed instrument of credit at interest, an opportunity for some to lend and make their money earn profits, and for others to obtain the advances necessary to any trade."[19] In nineteenth-century Afghanistan, many of those who borrowed or sought cash advances through the hawala-based money market had exhausted familial and kin-based economic support and were not fiscally solvent. For many of the economically vulnerable who sought cash from Hindki bankers, the infusion of capital they received contributed only to short-term fiscal buoyancy, say for a season or a year, after which time they would again engage the hawala-based money market for more credit and thus accrue greater debt. Individual producers, smaller merchants, larger

[16]"New Exchange Rate Between Qandahar and Company Rupees." See Hanifi, "Inter-Regional Trade," 167–201, for more on the Durrani qafilabashi in Peshawar, and Burnes, *Travels into Bokhara*, I: 173, for the involvement of a domestic qafilabashi in the export of purported contraband Korans. Rawlinson also considered ridding the Indus Army treasury of Qandahar rupees through advances to local officials and in remittance of hundis drawn on the Company treasury in Qandahar by British officers and agents in cities such as Herat and Farrah.

[17]Anand A. Yang, *Bazaar India: Markets, Society, and the Colonial State in Gangetic Bihar* (Berkeley, 1988), 238. Yang here refers to hundis as notes of credit whereas in another location, 257, he adopts the more common translation for hundi as a bill of exchange.

[18]Braudel, *Capitalism and Material Life*, 368.

[19]Braudel, *Capitalism and Material Life, 368.*

traders, local notables, and government officials throughout nineteenth-century Afghanistan were in many ways dependent upon the cash advances, credit provisioning, and debt maintenance services provided by Hindki bankers.

Prior to their invasion and occupation of Kabul, Qandahar, and eastern Afghanistan, the British relied on bankers throughout North India who served the expanding and maturing colonial state in substantial ways, including as revenue farmers and as financiers of war. Indian bankers invested heavily in the British colonial project in all its forms, including the invasion of Afghanistan. Revenue documents from the occupation period reveal a reluctant and fragile dependence on Indian bankers by British officials. Just as British occupation officers stationed in Qandahar tried in vain to evade the controlling influence exercised by Hindki bankers over the availability and interaction of different currency forms in the city, so also in Kabul the most senior British authorities were unable to avoid engaging local bankers. But in the capital city colonial officers sought large-scale cash advances, realized through hawalas, in an unsuccessful effort to save the occupation. Given the outcome of the occupation, the final British hawala transactions in Kabul threatened the survival of the colonial state India.

War and political flux often entail significant consequences for inter-currency relations, which can in turn complicate hundi transactions. In colonially occupied Afghanistan the pace of currency transformations was rapid and fluctuations in bilateral currency exchange rates such as in Qandahar occurred elsewhere in the country. Each local exchange-rate change was a sensitive political topic and had ramifications in distant markets. For example, in Herat during the fall of 1840, Major D'Arcy Todd used invisible ink to explain and justify his withdrawal of Rs. 31,200 cash from the Company treasury.[20] Todd also issued six hundis from Herat in October of that year. These bills were payable on the Bombay, Qandahar, and Ludiana treasuries, and totaled Company Rs. 68,503. However, Todd failed to indicate the exact terms of the transactions on the bills themselves, which prompted the Indian government to write to his superior Macnaughten in Kabul, the British official in charge of the colonial occupation. As a result, in December 1840 Macnaughten issued a circular to all colonial officers in Afghanistan concerning their issuance of hundis. Macnaughten instructed that henceforth all bills should include the rate of exchange at which the transaction occurred, and the amount of local rupees or other currency received in lieu of every 100 Company rupees.[21]

A year later, during the late fall of 1841, the situation had declined considerably for the British and their occupation of Kabul. Burnes was killed on 2 November

[20] "Instructions to Political Officers Regarding the Drawing of Bills in Cabul," *N.A.I., Foreign S.C.*, 21 Dec. 1840, Proceeding Nos. 66–68, and *N.A.I., Foreign S.C.*, 28 Dec. 1842, Proceeding Nos. 49–53. Todd's motives for using invisible ink included but were not limited to concealing financial information from local bankers and the identity of local collaborators.

[21] "Instructions to Political Officers," 28 Dec. 1842, Proceeding Nos. 49–53.

as was Macnaughten on 23 December. Major Eldred Pottinger, elderly, wounded, and apparently still in his capacity as British political agent at Charikar, assumed charge of negotiations with local leaders in eastern Afghanistan for a British retreat from Kabul to Peshawar. Pottinger, by default, had become responsible for the fate of approximately 16,500 people, including European and Indian officers and troops, family members of European officers, and many categories of Indian laborers and camp followers forming the Army of the Indus. When he assumed the mantle of leadership Pottinger might well have held the legitimate view that he and a great many others were about to face their own mortality on the ill-fated retreat from Kabul in January 1842. However desperate he might rightly have been, his financial conduct at this time compromised the buoyancy of a number of banking firms in North India whose resources were thoroughly implicated in the fiscal infrastructure of the British East India Company.

Under siege in the British cantonment in Kabul and understandably frantic, at the very end of 1841 Pottinger issued bills of exchange payable at multiple British treasuries throughout North India for more than 13 lakhs, or over one million three hundred thousand Company rupees.[22] Pottinger was clearly hoping to purchase safe passage eastwards to India through hostile tribal territories primarily inhabited by eastern Ghalzi Pashtuns. In return for the hefty sums of cash advanced to him Pottinger issued hundis on the Ludiana treasury for Rs. 105,000 to Rorsukh Rae, Rs. 30,000 to Dodum Rae, and Rs. 30,000 to Basha Mal. A number of other treasuries in India were affected by Pottinger's desperation hundis, but no information about recipients is given. These include bills of exchange payable at British treasuries in Ferozpore for Rs. 238,400, in Delhi for Rs. 390,000, in Agra for Rs. 200,000, and Cawnpore for Rs. 20,000.[23] By this stage of the occupation's life, Pottinger was not able to execute Macnaughten's recent orders to indicate the rate at which the hundi transaction occurred and the amount and kind of cash received.

The banking firms whose representatives in Kabul advanced the cash to Pottinger had a substantial if not controlling interest in the Company's finances in North India. In the cities named above and elsewhere these banking firms regularly supplied the British treasuries with cash. The firms recognized the impending doom of the occupation and as a result began to restrict the flow of cash to British treasuries in North India. Their rationale in doing so was to guard

[22]"Instructions to Political Officers," 28 Dec. 1842, Proceeding Nos. 49–53.

[23]"Instructions to Political Officers," 28 Dec. 1842, Proceeding Nos. 49–53. The figures given are all British Indian or Company rupees. Other British officers conducted hundi exchanges in ways that led to accusations of impropriety. See "Resources of Afghanistan," *N.A.I., Foreign Political Consultation* (hereafter P.C.), 30 Mar. 1835, Proceeding No. 46 for Sayyid Karamat Ali's alleged mishandling of hundis issued by Claude Wade. Wade was then the British political agent in Ludiana and Karamat Ali was serving as the British newswriter in Kabul. Karamat Ali's hundi impropriety contributed to his dismissal from that post. See also Mohan Lal, *The Life of Amir Dost Muhammad Khan of Kabul* (Karachi, 1978 reprint of 1846 edition) I: xxv, where it is revealed that some of the bills Lal handled in Kabul were questioned by colonial officials and that Lal faced accusations of over-borrowing on General Pollock's account.

against the expected losses of their capital in Kabul as a result of the British failure there. The British government also recognized the gravity of the situation in Kabul and therefore instructed their own treasury officials in Ferozpore and Ludiana to "delay without refusing remittance" on bills drawn on those treasuries.[24] In response, a number of North Indian banking firms reneged outright on cashing hundis issued to the British government and its officials. The affairs in Kabul were transforming cooperative relations between North Indian bankers and colonial authorities into exchanges based on negative reciprocity. The anticipated and real losses of transnational merchant capital in Kabul as a result of the British occupation's collapse threatened to force the closure of a number of North Indian banking firms, which in turn seriously destabilized the fiscal integrity of the British government in India.

Provincial Fuel for the Durrani State Mint and the Absorption of Social Debt

The annihilation of the Army of the Indus during its retreat from Kabul dealt a severe blow to British political and financial prestige in India. The result of the first Anglo-Afghan war damaged relationships at the upper levels of financing involving hundi transactions between large private Indian banking firms and British colonial treasuries in North India. However, the occupation period resulted in a large infusion of British Indian rupees into the markets of Kabul, Qandahar, and eastern Afghanistan.[25] The extension of Company capital into this region during the first occupation was relatively successful. One important method of dispersing state coinage into multiple sectors and layers of an economy is to pay local armed forces personnel in that currency. This was discussed above concerning Rawlinson's attempt to execute such a maneuver in Qandahar in 1840. Another direct avenue of insinuating one currency into the political space of another is in the context of minting state coinage. In this regard, although during the first colonial occupation a rupee struck in the name of the British puppet Shuja was the official product of the Kabul mint, that local currency was a veneer masking the advance of British Indian coinage. Recycling of British Indian rupees into Shuja's coinage characterized the minting practices in Kabul during the first Anglo-Afghan war. The following quote describes the Durrani state's hand-minting practices as conveyed by R. S. Trevor, a key colonial functionary who was deputed to revise the Kabul account books in 1841.[26]

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[24]"Instructions to Political Officers," 28 Dec. 1842, Proceeding Nos. 49–53.

[25]See Malcolm E. Yapp, "The Revolutions of 1841–2 in Afghanistan," *Bulletin of the School of Oriental and African Studies* 27 (1964): 381, where he refers to "the jolt [which the occupation] gave to the whole economy by the import of bullion and the creation of new demands."

[26]See Hanifi, "Inter-Regional Trade," 44–92 for more on Trevor's revision of the Durrani fiscal registers during the first British occupation of Kabul.

[T)he material used in the Cabool coinage is almost entirely Company's Rupees about 22,00,000 of the latter having been melted down last year when the number of Cabool Rupees struck was 27,65,612 and the quantity of bullion brought to the mint equal in weight to only Company's Rupees 85,258. The process of melting and preparing silver for the mint is carried on in the town by contract and the contractors state that their custom is to add lead in the proportion of 40 percent and that the product of 140 Company's Rupees weight of the mixture and 94 ½ of pure silver or what is supposed so, and 45 of dross. Again to reduce 94 ½ Company's Rupees weight of pure silver to the standard of the Cabool Rupee 25 Company's Rupees are added no other alloy is used and the mass weighing 119 ½ Company's Rupees is coined into Cabool Rupees 147 ½. The whole expense of the process of melting and purification including labor, charcoal, lead, bone ashes and utensils is defrayed by the dross which becomes the perquisite of the contractor and of which one suwar khanee equal in weight to Company Rupees 3.840 produces 3 ½ Company Rupees weight of pure silver and 252 ditto of copper and lead mixed in the proportion of five parts of the former to two of the latter the purity of silver received by the contractors is tested by melting a stated portion on a bed of bone ashes in a charcoal fire with lead and it is rejected whenever the loss in the process exceeds a given quantity. That loss seemed to me on witnessing the process to depend not only on the purity of the silver, and on the degree of heat and the length of time it was applied both which are left to the discretion of the operator.[27]

At their core, these calculations indicate that during the first colonial occupation of Kabul, British Indian rupees comprised at least eighty percent of the raw material used in the production of handcrafted state coinage. The re-coining of Indian rupees at the Durrani mint in Kabul before and during the first British occupation intensified after the second colonial occupation roughly forty years later. The second British invasion of Afghanistan and occupation of Kabul concluded with colonial authorities appointing Abd al-Rahman to the Durrani throne.

To say that Abd al-Rahman kept close track of the fiscal affairs in his domains is an understatement—he seems to have been obsessed with money and its flow and

[27]"Resources and Expenditure of Afghanistan, 1841," *N.A.I., Foreign S.C.*, 25 Oct. 1842, Proceeding Nos. 32–35. For more on Durrani coins see M. Longworth Dames, "The Coins of the Durranis," *Numismatic Chronicle* VIII (1888): 325–363; L White King, "History and Coinage of the Barakzai Dynasty of Afghanistan," *Numismatic Chronicle* XVI (1896): 277–347; and Ganda Singh, *Ahmad Shah Durrani: Father of Modern Afghanistan* (Lahore, 1981, reprint of 1959 edition), 365–374. The Durrani minting techniques described here can be usefully compared to similar practices in Mughal India and Safavid Iran. For the Mughal era see Abul Fazl Allami, *The Ain-i Akbari*, trans. H. Blochman (Delhi, 1989), I: 16–39 (ains 4–12, including drawings of various mint workmen). For coinage and minting in Safavid Iran see *Tadkhirat al-Muluk*, ed. and trans. V. Minorsky (Cambridge, 1980), 58–65 (of the English translation of the original Persian), and the commentary on that portion of text, 126–135.

production.[28] Hand-minting of Durrani state coinage prevailed in Kabul until 1890 when Abd al-Rahman imported three large minting machines from Europe.[29] The European minting machinery greatly expanded the potential production of Durrani state coinage, and Abd al-Rahman accelerated the precedent of recycling British Indian rupees into Durrani currency that was evident earlier in the century.[30] The heightened ability to produce state coinage motivated Abd al-Rahman to take extraordinary measures to extract British Indian rupees from his subjects. As an economic institution the Durrani state mint had profound social consequences, particularly by centralizing pools of merchant capital dispersed throughout the country in Kabul, a city the British were able to fiscally colonize despite two failed military invasions of it.

Abd al-Rahman's re-coining drive focused on two silver currencies, the British Indian and Durrani rupee, with the former determining the value of the latter. However, other silver coins and a variety of copper- and gold-based currencies circulated regularly and widely in Abd al-Rahman's domains.[31] As more silver rupees were produced by the minting machines in Kabul, the other forms of money found in Afghanistan came to be increasingly valued through exchanges calculated against the proliferating Durrani state coinage. As other monies became defined in relation to the Durrani rupee, the effects of the new mint ramified throughout all currency fields, social sectors, and geographic regions of the polity.

[28]See Sultan Mahomed Khan, *The Life of Abdur Rahman, Amir of Afghanistan* (Karachi, 1980 reprint of 1900 original), II: 62 for Abd al-Rahman's claim that each night he reviewed an abstract of the daily credits and debits of the central treasury.

[29]Sultan Mahomed Khan, *Abdur Rahman*, 28. See 21–31, for Abd al-Rahman's comments on European machinery in general, and 15–19 for his opinion on the employment of foreigners in Kabul, some of whom accompanied the imported machines and instructed local officials in their use. A Mr. McDermot, formerly employed at the government mint in Calcutta, instructed Kabuli workmen in the new minting processes and Abd al-Rahman took pride that local personnel were soon able to function without McDermot's superintendence. Abd al-Rahman, likely through some kind of an interlocutor, states: "Not only do my workmen coin the rupees, but they also make the dyes and stamps; and since the first set of tools and dyes was brought from England we have never had to buy fresh ones, everything is made in Kabul itself." See Hanifi, "Inter-Regional Trade," 344–345 for scanned images of nineteenth-century hand-minted Durrani rupees.

[30]Hasan Kawun Kakar, *Government and Society in Afghanistan: The Reign of Amir 'Abd al-Rahman Khan* (Austin, 1979), 217, indicates that the new European minting machinery was capable of producing between 40,000 and 120,000 coins a day. Kakar also quotes a figure of 10,000,000 coins produced during the first year of the machinery's placement in Kabul, which would put daily production at about 27,400. Rupee production levels were uneven and determined by the availability of silver that Abd al-Rahman went to extreme lengths to acquire. See Hanifi, "Inter-Regional Trade," 255–299.

[31]For attention to other currencies circulating in nineteenth-century Afghanistan, their constituent elements and units of measurement, and their relative worth in relation to one another see Kakar, *Government and Society in Afghanistan*, 216 and 236, Vartan Gregorian, *The Emergence of Modern Afghanistan: The Politics of Reform and Modernization, 1880–1946* (Stanford, 1969), 401–402, and John Alfred Gray, *At the Court of the Amir: A Narrative* (London, 1987 reprint of 1895 original), 294.

The main external source of British Indian rupee fuel for the Kabul mint was the cash subsidy Abd al-Rahman received, and these outright grants of British rupees were never less than twelve lakhs per year.[32] For example, in March 1890, immediately after the arrival of the minting machines in Kabul, a subsidy disbursement of 500,000 British rupees was transported from Peshawar to the Durrani capital. Although I conclude that this particular accumulated subsidy disbursement went directly to the mint for re-coining, a good deal if not most of these colonial cash grants went to purchase European and Indian commodities through commercial agents and brokers stationed in various Indian cities who were appointed by Abd al-Rahman.[33] In any event, this particular transference of subsidy funds was clearly intended for re-coining and likely distributed to the army for broad circulation.[34] To acquire the necessary raw material for the new machine mints, Abd al-Rahman also employed the British firm of Martin and Company to import un-coined bulk silver bullion from Europe.[35] Whereas the external supply lines of British Indian rupees and bulk silver had discernible limits, for Abd al-Rahman the domestic sources of British money and other forms of capital were conceptualized as nearly limitless.

Abd al-Rahman issued numerous directives that demonstrate his desire to gather and re-coin all silver currencies in circulation in all the markets he controlled. For example, he prohibited bankers and traders from remitting silver abroad, directed merchants to bring their silver to the Kabul mint, and ordered the public exchange of all previously issued Kabul rupees for his new machine-minted coin. The export ban and other more direct forms of silver collection comprising the larger re-minting initiative targeted bankers, merchants and traders, and, either directly or indirectly, all other participants in the Afghan economy.[36]

[32]See Hanifi, "Inter-Regional Trade," 201–255. The amount of the subsidy was regularized in 1882 and remained constant at one lakh per month until 1893 when it was increased to 18 lakhs per year. Upon Abd al-Rahman's death the British declared the subsidy and many other facets of Anglo-Afghan relations null and having been personal to that ruler. However, this decision was soon rescinded.

[33]See Hanifi, "Inter-Regional Trade," 255–299, where colonial subsidy-driven transformations in Kabul's local production regimen and Durrani state commercial agents operating in British India are addressed.

[34]Despite the fact that most donated British Indian rupees were recycled into the British Indian colonial economy through extra-territorial purchases, in the case considered here and in many other instances, substantial sums of British rupees were conveyed from Peshawar to Kabul through the Khaibar pass under the direction of the Durrani state-appointed superintendent of caravans. This official, known locally as the qafilabashi, was stationed in Peshawar and was in charge of transporting government property from India to Afghanistan. See Hanifi, "Inter-Regional Trade," 167–201, for more on the Peshawar qafilabashi.

[35]Kakar, *Government and Society in Afghanistan*, 217.

[36]See Kakar, *Government and Society in Afghanistan*, 215–220. The ban on cash remittances abroad was lifted in 1883 after which Abd al-Rahman imposed a three percent duty on such transactions. But this rate also changed, as did the mechanism of its realization, probably unevenly across regions. In this section of his book Kakar also discusses how ongoing currency debasement led to domestic inflation during Abd al-Rahman's reign.

The measures Abd al-Rahman took to collect silver for re-coining in the capital city had important effects on the relationships between Kabul and surrounding markets, districts, and provinces. Qandahar was particularly vulnerable to Abd al-Rahman's silver confiscation tactics due to the high volume of merchant capital flowing to and through the city, consistent with its longstanding and prominent role in the vibrant, long-distance trade between Indian and Iranian markets. In 1885, well before the arrival of the new minting machinery, Abd al-Rahman's appetite for silver to re-coin led to seizures of such a magnitude that the British Agent in Qandahar commented: "If this state of things (the confiscations) continues no money will be left with anybody in the whole of Afghanistan, and Government coffers will overflow with money."[37]

In January 1889 Abd al-Rahman turned his sights on the commercial brokerage arrangements in Qandahar in order to extract cash for re-coining in Kabul. The local community of brokers had been charging merchants a one percent commission, but Abd al-Rahman ordered all brokerage in the city to be concentrated under the purview of a single appointee sent from Kabul, a Hindu named Jita, who would collect a two percent fee.[38] Local merchants viewed this as another form of confiscation by royal decree, so they planned for a week-long export stoppage that would also close the local customs house, but the local governor dissuaded them from doing so. Merchants in Qandahar were then simultaneously enduring searches and seizures of sums ranging from 10,000 to 20,000 rupees by Chief of Police Mirza Sultan Muhammad, who regularly trumped up charges against them.[39] Another institutional vehicle for Abd al-Rahman's drive to re-mint British Indian rupees into Durrani state currency was the office of *sarishtadar* or provincial revenue official. Abd al-Rahman appointed a Hindu named Sada Nand to the post of Qandahar sarishtadar in February 1889. Three months later the original and primary focus of the state's confiscatory initiative—the prized British Indian rupees, known locally as *kaldar* rupees—was again emphasized:

> The Kandahar revenue Sarishtadar has prohibited merchants from remitting Indian coins (rupees) towards India. This is because no silver comes to the Kandahar mint from any other country, wherewith to coin Kabuli and Kandahari rupees. The Queen's coin known in Kandahar as Kaldar rupees is melted and coined into Kabuli and Kandahar rupees. The merchants are therefore put to much loss and inconvenience, for they have no merchandise to export at present, and have to remit cash to Bombay and Karachi where only Indian coin is current.[40]

[37]Kakar, *Government and Society in Afghanistan*, 205.

[38]*Kandahar Newsletters, 1880–1905* (hereafter *KN*), ed. Government of Baluchistan (Pakistan) Directorate of Archives Department, (Quetta, 1990), 1889, 88–89.

[39]*KN*, 1889, 88–89. From the Mirza title it appears the Qandahar police chief may not have been relying on physical coercion as much as accountant-based or bookkeeping tactics to mulct the local merchants. For more on Durrani state textual coercion during the reign of Abd al-Rahman see Hanifi, "Inter-Regional Trade," 167–201.

[40]*KN*, 1889, 106.

The preceding events occurred before the installation of the machine mints in Kabul in 1890. One indication that the new minting machinery almost immediately and most dramatically increased Abd al-Rahman's penchant for silver—especially *kaldar*—confiscation comes from the British agent's communiqué from Qandahar dated 4 January 1891. In this correspondence Khan Bahadur Mirza Muhammad Taqi Khan reported a substantial increase in the agricultural tax levied on Durrani state lands, from either one-fourth or one-third of the produce, depending on particular circumstances, to a uniform one-half for all properties.[41] State land managers were accountable for remitting a certain pre-agreed amount of capital just as provincial and district revenue farmers were. Durrani state taxes were not uncommonly paid in some form of cash through the mediation of Hindki bankers and commodities brokers.[42] It is fair to deduce that Abd al-Rahman expected substantial kaldar dividends to result from this greatly increased revenue imposition on government lands in Qandahar.

Greater taxation of government lands can be considered one of the more common and obvious methods of augmenting state revenue, but such a high degree of increase appears unusual and is conspicuously concurrent with the arrival of the new state minting machinery. Immediately after the installation of the machine mints in Kabul Abd al-Rahman called for an array of other state impositions on private capital in Qandahar that can be characterized as extraordinary. A number of harsh measures were taken and bizarre justifications offered in Abd al-Rahman's quest to obtain raw material for the surge in coin production resulting from the Durrani state's much-expanded minting capacity. While the following quote typifies the kind of arbitrary seizures of capital that took place in Qandahar after the new mints went into service, it is important to appreciate that all kinds of people in all other localities in Afghanistan were subject to similar random confiscatory practices:

> Heavy fines are being inflicted and recovered now-a-days for trivial offenses, e.g., a fine of rupees twenty one thousand has been imposed on some villagers, shop keepers, and a camel driver, residents of Deh-i Khwaja, on the ground that the wife of a servant of Sardar Sher Ali Khan, ex-Wali of Kandahar, has gone to Karachi without their knowledge. The camel driver's offense lay in the fact that he hired out his camel to this woman. The villagers were fined for not reporting her departure to the authorities prior to her leaving for Karachi, and the shopkeepers were fined because they were related to this woman.[43]

The new minting machinery in Kabul precipitated substantive changes in the economy of Afghanistan. Relations between Qandahar and Kabul were acutely

[41] *KN*, 1891, 1.
[42] *KN*, 1891, 1; and Hanifi, "Inter-Regional Trade," 44–92.
[43] *KN*, 8 June 1891, 25.

affected, with the new capital city of Kabul becoming enriched at the expense of the old Durrani headquarters in Qandahar. On 18 January 1891 the British news writer in Qandahar announced the closure of the local mint:

> The Governor has received orders from His Highness the Amir to the effect that no money is to be coined in the Kandahar mint in future, and that, for the future, only new coins struck by the machinery lately erected at the headmint in Kabul will be allowed currency in Afghanistan. His Highness, however, has not notified in what way the new coinage is to be introduced, and the old coins withdrawn from circulation. But the people entertain very little hope that the change will be affected without loss being inflicted on the public.[44]

Abd al-Rahman clearly believed that the new minting machinery could generate profits through the re-coining of British Indian rupees and other silver-based coinage into Durrani state or Kabul rupees. In his own rendition of how the new machine mint was fueled, Abd al-Rahman recognized little difference between the re-coining of cash grants of British Indian rupees and the ongoing searches for and seizures of silver from his own subjects that are only thinly veiled in the following quote:

> Now, however, I am fortunate in possessing coining presses in my mint, made upon the same system as those employed in European countries . . . . The British Government had given me some money coined in the mint at Calcutta; these rupees I ordered to be melted down, and, after 6 percent. of copper had been added to the alloy, they were re-coined into Kabul rupees (the value of the English rupee is 16 pence, that of the Kabul rupee 12 pence). I also commanded my officials to purchase silver from the country, to melt it down, add a considerable quantity of copper to it, and coin into rupees, in this way making some profit. Moreover, I ordered to be refunded into the Treasury sums of money which, under the former Government, had been borrowed or looted by people, as also other sums that had been entrusted to them by Government for official payments, which sums they had retained in their own hands and used for other purposes. After this general proclamation many people refunded the money they owed and, in order to get the remainder from those who would not pay, I appointed collectors, giving them instructions to force the debtors to

[44]*KN*, 8 June 1891, 3. Abd al-Rahman's collection and confiscation of British Indian or kaldar rupees continued after the opening of the new machine mint in Kabul in 1890 and the closing of Qandahar mint early in 1891. The *KN*, 1891, 8 June entry also included the following: "A *Tahsildar* has been appointed to collect all the 'Kaldar' rupees procurable in Kandahar. He is to send his subordinates to the gates of the city and to the bazaar to search for and bring him all 'Kaldar' rupees, as they can find in the possession of the people. Kandahari and Kabuli rupees are to be given to the people in exchange. The 'Kaldar' rupees thus collected are to be sent to Kabul to be recoined. This puts the people to great inconvenience."

> give up these moneys. I further appointed accountants, whose duty it was to examine the accounts, and to see that all unpaid taxes were recovered.[45]

The new minting machinery in Kabul resulted in the advancement of the British Indian rupee's presence and influence in Afghanistan. The machine-minted Kabul rupee continued to be defined by and subordinate to the British Indian rupee, just as the hand-minted Kabul rupee had been. Overall, the expansion of the British Indian rupee was a prerequisite for the spread of Durrani state coinage in the fiscal colony of Afghanistan. Durrani state minting practices during the entire nineteenth century reflect the kind of fundamental and ongoing contradiction pointed out as defining a colonial state's operative mode.[46] It served British India well enough to have its currency provide the foundation for an Afghan economy controlled by one of its appointees. However, while recognizing Abd al-Rahman as colonially appointed and funded, it is important to appreciate that the impoverishment of Afghan society had more to do with his actions than British policy. The growing presence of Durrani rupees masked the advance of British Indian coinage, but this was not the source of prevalent economic decline and the related increased need for popular debt-servicing. The origin of Afghanistan's impoverishment lay in Abd al-Rahman's attempt to replace resources controlled by Hindki bankers and brokers with Durrani state capital in a number of economic sectors. The areas where Abd al-Rahman attempted to insinuate Durrani state resources at the expense of Indian merchant capital include cash advances to producers and larger-scale loans and capital transfer facilities to wholesale merchants and other financiers of the transit trade between India, Iran, and Central Asia.[47]

Abd al-Rahman's assessment of the Durrani political economy failed to integrate at least two phenomena. The first was a devaluation of the Durrani currency resulting from its increased production being predicated on the more fervent recycling of a more valuable coin, the British Indian rupee. For Abd al-Rahman, minting money was a goal in and of itself, and he did not seem to fully comprehend the dynamics between the use and prevalence of a currency and its value in relation to others. The second area of economic miscalculation concerned credit and debt relations and Abd al-Rahman's attempt to assume some of the roles played by Indian

[45]Khan, *Abdur Rahman*, I: 202–203. The mirzas were the state appointed accountants, bookkeepers, and collectors who wielded such great power through their reviews and manipulations of various sets of financial records. See Hanifi, "Inter-Regional Trade," 167–201, for more on the mirzas.

[46]Ann Laura Stoler and Fredrick Cooper, "Between Metropole and Colony: Rethinking a Research Agenda," in *Tensions of Empire: Colonial Cultures in a Bourgeois World*, ed. Fredrick Cooper and Ann Laura Stoler (Berkeley, 1997), 20.

[47]See Hanifi, "Inter-Regional Trade," 44–92 for Abd al-Rahman's cash advances to domestic fruit cultivators through the kuchi carriers, and Kakar, *Government and Society in Afghanistan*, 220–221 for money transfer facilities provided by the state in the form of drafts known as *barats*. See Khan, *Abdur Rahman*, II: 76, for merchant loans, and 208, for hundis issued by Abd al-Rahman.

bankers and moneylenders in the Afghan economy. In this regard, Abd al-Rahman erred in his belief that replacing Indian bankers' and brokers' capital with Durrani state resources would be profitable.

Abd al-Rahman sought to displace Indians from commercial life in Afghanistan because he felt they sent their profits to "their own lands."[48] Hindki communities in Afghanistan were the local representatives of extensive inter-regional banking networks. By provisioning cash and credit to producers, merchants, groups of nomadic trading tribes, and state officials, the Indian bankers helped to integrate various sectors of the Afghan economy while also linking local resources to distant markets. For the various Indian banking communities, the hundi or bill of exchange was the primary instrument of network communication and the key enabling mechanism for inter-market transactions. Hundis allowed Indian bankers in Afghanistan to receive various forms of currency, which functioned as sources of local credit and cash advances. The debt incurred by the recipients seems to have been heavy given the ubiquity of Hindkis in Afghanistan, and prior to Abd al-Rahman the cumulative debt of Afghan society was both financed and dispersed largely through trans-Eurasian Indian mercantile networks via hundis.

Abd al-Rahman was not able to entirely eliminate the Hindki population in Afghanistan, and in fact a number of South Asians played prominent roles in his government. However, he was able to absorb some of the clients of the Indian bankers who were ultimately driven out of the country by his reforms.[49] The profits made by Indian bankers and moneylenders through their providing cash advances and larger hundi-based loans were not immediately evident, and in many ways only realized through the wider network over time, not immediately in any given locality. Therefore, Abd al-Rahman's agenda of having the Durrani state supply cash advances, merchant loans, and other facilities for long-distance commercial transactions meant it would also have to absorb and cater to some of the widespread local social debt. Abd al-Rahman may have been successful in having Durrani state resources fill the fiduciary void he created by eliminating some of the Indian bankers in Afghanistan. However, for our purpose, what is relevant is that he and the bureaucratic apparatus he controlled were far less able than the Hindki communities to redistribute, spread out, delay, and refinance debt burdens with the ease and fluidity of declared adversaries such as the Hindki communities in Afghanistan.

Conclusion: Impoverishing a Colonial Frontier

During his reign from 1880 to 1901 Abd al-Rahman took a number of steps to replace the capital controlled by the Indian banking community with Durrani state funds as the source of large-scale commercial loans to merchants and small-scale cash advances to producers and other ordinary residents of the

[48]See Khan, *Abdur Rahman*, II: 76, for Abd al-Rahman's remonstrance against Indians for this reason.

[49]See Hanifi, "Inter-Regional Trade," 142–167.

country. This concentrated the debt-servicing and credit-provisioning arrangements prevalent in multiple sectors of the Afghan economy formerly handled by Indian bankers with Abd al-Rahman and a cadre of financial officers responsible directly to him.[50] Indian bankers were able to disperse and circulate the widespread debt of this region to other markets and economic zones through their extensive inter-regional hundi-based commercial networks. Abd al-Rahman argued that the Indian bankers actually perpetuated and profited from the debt of ordinary Afghans, and to remedy this alleged ailment he set out to eliminate their dominance in the economy. He planned for the state to become a source of credit in the country, but this meant the Durrani state also had to absorb and manage a portion of the debt burden in Afghan society-at-large. The assumption of this domestic fiscal burden was concurrent with Abd al-Rahman's downgrading the state's external economic ties resulting from the replacement of Indian bankers and brokers with Durrani officials.[51] Rather than further integrating the state and its personnel with direct producers and the commercial classes, Abd al-Rahman's fiscal transformations concerning credit, debt, and currency flows strained relations between the Durrani state and those social groups, thus further impoverishing the state and Afghan society-at-large.

The decreasing value of the Durrani rupee in relation to the British Indian rupee during the nineteenth century included an accelerating gap between the exchange rate of the two currencies during Abd al-Rahman's reign. In 1838 the Kabul rupee was valued at 85 percent of the Company's rupee, in 1878 the value of the Durrani rupee was 75 percent of the British Indian rupee, and in 1899 the value of the Durrani state rupee had dropped to 54 percent in relation to the colonial currency.[52] Progressive Afghan currency devaluation was symptomatic of Durrani state minting practices in Kabul, which were predicated on the recycling of British Indian rupees. The dramatic decline in the comparative worth of the Durrani currency during Abd al-Rahman's reign resulted from an increasing production of state coinage that amplified the existing disparity in value between the Kabul and British Indian rupees. For Abd al-Rahman, machine minting in Kabul prompted confiscatory practices all over the country, as we have seen in Qandahar. Such a forced depletion of private and merchant capital

[50]See Hanifi, "Inter-Regional Trade," 167–201, for more on Abd al-Rahman's staff of mirzas, or state accountants/clerks/secretaries who formed an important sub-group of Durrani state revenue functionaries.

[51]Hanifi, "Inter-Regional Trade," 255–299.

[52]See Alexander Burnes, et al., eds., *Reports and Papers, Political, Geographic, and Commercial* (Calcutta, 1839), 160, for the proportion of 117 to 100 between Company and Kabul rupees, respectively, in 1838. See "Memorandum on Information Available in the Foreign Department on the Government, Revenue, Population, and Territorial Divisions of Afghanistan," *N.A.I., Foreign Secret Supplementary K.W.*, January 1880, Proceeding Nos. 536–544 for a Kabuli rupee being worth 12 annas or three-fourths of the British Indian coin in 1878. A Peshawar Confidential Diary report from June 1899 indicates a 6 to 11 exchange rate between the two currencies.

in turn perpetuated and intensified the cycle of credit-provisioning and debt-servicing, which were closely related areas of financing where Abd al-Rahman became increasingly active.

The production of Durrani state coinage must be considered within the context of its circulation and interaction with other currencies, and how metallic money flows are ultimately subordinate to credit and debt relations based on hundi transactions. The first British occupation generated a number of data sources bearing on the relationship between money and credit in Afghanistan. Rawlinson's imposition of an exchange-rate change in Qandahar and Pottinger's terminal hundi transactions in Kabul demonstrate some of the basic patterns of conduct occurring along what Braudel termed the theoretical frontier between money and credit. This frontier was engaged daily by both Durrani state authorities and local Hindki bankers, with the activities and resources of the latter defining the extensive merchant networks traversing South and Central Asia. While the Durrani state relied on its mint to make money, and the Indian bankers used hundis to circulate capital, the bulk of the Afghan population appear to have been very vulnerable to, and may in fact best articulate, the manipulation of debt. Through most of the nineteenth century, Hindki bankers were relied upon for cash advances, credit-provisioning, and debt-servicing by a great many ordinary Afghans, local chiefs, and state authorities who collectively seem to have displayed a rather high degree of tolerance towards this influential minority population.

It could be argued that Abd al-Rahman conformed to the model of Durrani tolerance towards the Indian bankers established by his dynastic forefathers and evident in Afghan society-at-large. To support such a claim, one could cite a number of Hindus who became *Diwans* or senior revenue officials in his government, such as Naranjan Das, as well as a number of Peshawri Muslim trading firms, such as the Sethi merchant house, which not only survived but appears to have prospered during the reign of Abd al Rahman.[53] However, the general tenor of Abd al-Rahman's documented conduct towards Indian bankers was motivated by a desire to displace them from their positions along the sectoral interstices and at the key transactional junctures of the Afghan economy. The resulting devaluation of the Durrani currency and the confiscation of local capital contributed to the increasing indebtedness of Afghan society-at-large during Abd al-Rahman's period. Through smaller cash advances and larger merchant loans Abd al-Rahman was actually absorbing a portion of the society-wide debt, which strained the Durrani state's resource base in the short and longer terms. Afghanistan's economy was declining precipitously on the eve of the twentieth century, which weakened and constricted domestic debt-financing arrangements and inhibited the country's full entry and potential participation in the emerging global economic order.

[53]See Hanifi, "Inter-Regional Trade," 142–167.

One key reflection of the harsh economic times endured by ordinary Afghans at the end of the nineteenth century was the rural social flight resulting in large-scale migration to Kabul. Although statistics are not only meager but also methodologically suspect, colonial sources indicate that Kabul grew from a city of roughly 20,000 in the mid-eighteenth century, to approximately 40,000 by the 1830s, and then expanded to over 140,000 in 1876.[54] These figures must be treated cautiously in their own right and cannot be evaluated against concurrent estimates of populations of surrounding districts, other cities, or the country as a whole. But when combined with what we know about the Durrani state's and Afghan society's fiscal infrastructure, and compared to other episodes of urbanization in the so-called Third World, these statistics point to a theme of progressive rural impoverishment resulting in economic migration to Kabul. This migrational trend clearly intensified during Abd al-Rahman's reign, but the increased production of money in Afghanistan's capital city did not improve conditions for the growing number of its residents. In fact, the recent migrants may have formed a new class of captive urban debtors who helped actualize Abd al-Rahman's plan of implicating his resources into an emerging set of credit-debt relations between the Durrani state and some of Afghan society's more vulnerable constituent members and groups.

[54]See M. MacGregor, *Central Asia, Part II: A Contribution Towards the Better Knowledge of the Topography, Ethnology, Resources, and History of Afghanistan* (Petersfield, Hampshire, U.K., 1995 reprint of 1871 original), 420; and *Gazetteer of Afghanistan, Vol. 6: Kabul and Southeastern Afghanistan*, ed. Ludwig W. Adamec (Graz, Austria, 1985 reprint of 1914 original), 333.