

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain,
1756-1833

H. V. Bowen

Excerpt

[More information](#)

CHAPTER I

Introduction

In the half-century after 1756 Britain established a large territorial empire in South Asia, and by the beginning of the nineteenth century many contemporaries considered India to have become the richest jewel in the imperial crown. Yet, remarkably, Britain's Indian empire was not created and expanded as part of any state-sponsored imperial project but through the actions of the East India Company, a private commercial organisation that held a monopoly of British trade conducted east of the Cape of Good Hope. In a few short years the Company ceased to be simply a trading company and it developed into a powerful imperial agency exercising control over territories containing millions of people. No commercial body has ever extended its reach so far or become so fully preoccupied with the business of empire.

The causes, course, and consequences of the East India Company's expansion in South Asia have received considerable attention from successive generations of historians, and this has helped to establish a reasonably clear picture of how and why the Company was able to achieve military and political supremacy, first in Bengal and then elsewhere on the subcontinent.¹ Much is also known about how territorial expansion in Asia had significant political consequences in Britain, where unease about events in India interacted with concerns about recurring financial crisis to cause the reform, regulation, and control of the Company; and much is known about how changing economic outlooks in Britain eventually forced the Company to surrender its India and China trade monopolies in 1813 and 1833 respectively. As a result, the legislative measures implemented

¹ For two recent studies of British expansion see P. J. Marshall, 'The British in Asia: trade to dominion, 1700-1765', *OHBE*, vol. II: P. J. Marshall (ed.), *The eighteenth century* (Oxford, 1998), pp. 487-507; Rajat Kanta Ray, 'Indian society and the establishment of British supremacy, 1765-1818', *ibid.*, pp. 508-29. For a concise general history of the East India Company see Philip Lawson, *The East India Company: a history* (Harlow, 1993).

Cambridge University Press

0521844770 - *The Business of Empire: The East India Company and Imperial Britain*,
1756-1833

H. V. Bowen

Excerpt

[More information](#)

2

The Business of Empire

by Lord North's Regulating Act of 1773, Pitt the Younger's India Act of 1784, and the Charter Acts of 1793, 1813 and 1833 map out a clear path of political intervention, which resulted in the Company eventually ending its days in 1858 not as an independent private trading company, but as an imperial arm of the British state. Far less well known and understood, however, are the domestic effects that the dramatic and unexpected acquisition of a territorial empire in India had upon the Company itself. Consequently, this book looks inside the Company to explore how it changed in terms of its organisation, personnel, outlooks, and practices; and, because the Company was deeply embedded at the heart of imperial Britain, the book also examines some of the ways in which it interacted with the wider domestic society and economy. In order to establish the general context for discussion of these matters, this introduction first gives brief consideration to the Company's position in India and Britain. An examination of contemporary perceptions of the Company is then undertaken, before attention turns to the ways in which modern historians have approached the Company's domestic history. This enables lines of inquiry to be defined and the thematic scope of the study to be established.

THE SETTING: INDIA AND BRITAIN

In 1709 the formal completion of a long and protracted union of the 'old' and 'new' East India Companies had brought to an end two decades of turmoil among the traders and investors who conducted Britain's trade with Asia. For most of the next half-century the newly consolidated 'United Company of Merchants of England trading to the East Indies' enjoyed a period of internal peace and steady commercial expansion. The Company gained a reputation for financial strength, and this cemented its position at the heart of the City of London and the nation's public finances. Few within the Company harboured any territorial ambitions in India and only a limited presence was maintained at the small coastal trading enclaves that had been established at Bombay, Calcutta, and Madras. Imports to Britain of Indian textiles and Chinese tea shipped from the port of Canton experienced decade-by-decade growth and, because domestic manufactures could not easily be sold in Asian markets, trade imbalances were corrected by the export of treasure, mainly in the form of silver bullion. The Company's internal politics were for the most part unremarkable, and a passive body of stockholders were content to receive their annual dividend payments without being much concerned with the actions of the twenty-four annually elected directors who

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain,
1756-1833

H. V. Bowen

Excerpt

[More information](#)*Introduction*

3

managed the Company from its headquarters at East India House in Leadenhall Street. As a result, until war with France spilled over into the Indian subcontinent during the mid-1740s, the Company seldom found itself in the public eye, and it did not often capture the full attention of government or Parliament. While too-rosy a picture should not be painted of the Company's development, a range of statistical indicators confirm that the first half of the eighteenth century was usually a time of stability, continuity, and growth.² This did not fail to impress contemporaries, and in 1772 the political economist Thomas Mortimer was moved to write that, together with the Bank of England, the East India Company had 'brought the commerce and mercantile credit of Great Britain to such a degree of perfection, as no age or country can equal, and to suppose that this national success could have been accomplished by private merchants, or even by companies not trading on a joint stock, is an absurdity that does not deserve serious consideration'.³

Many of the developments celebrated by Mortimer had already been eclipsed by events in India, however, and this led to the emergence of an institution that was very different from that which had existed during the first half of the century. The Company's position in north-eastern India was altered dramatically as military supremacy was established over rival European East India companies and local powers alike. In particular, the catastrophic loss of Calcutta to the Nawab of Bengal, Siraj-ud-daula, in 1756 was followed swiftly by the Company's establishment of absolute control over the province's Indian rulers in the wake of Robert Clive's famous victory at the Battle of Plassey in 1757. Further military success, notably at the Battle of Bhaksar in 1764, culminated in the Treaty of Allahabad of 1765 in which the Mughal Emperor formally acknowledged British dominance in the region by granting the Company the *diwani*, or 'right' to collect the revenues of Bengal, Bihar, and Orissa. The provinces continued to be governed in the name of the Emperor and Nawab of Bengal, but the Company had firmly established itself as the power broker and *de facto* sovereign of the region. The Bengal revenues represented a large financial prize, estimated to generate an annual income of between £2 million and £4 million a year, and they enabled the Company to

2 For the Company's political stability see below, pp. 60–8. For its commercial expansion see K. N. Chaudhuri, *The trading world of Asia and the English East India Company, 1660–1760* (Cambridge, 1978).

3 Thomas Mortimer, *The elements of commerce, politics, and finance in three treatises on those important subjects* (1780, reprinted from the 1772 edition), p. 130.

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain,
1756-1833

H. V. Bowen

Excerpt

[More information](#)

sustain the growth of its armed forces and strengthen its hold on the territories under its control.

Although those in London were always set resolutely against further territorial acquisition, a series of wars were fought out across the subcontinent against a range of powerful opponents, including the state of Mysore and the Maratha Confederacy, both of which had support from the French. The Company's efforts to achieve supremacy in different parts of India were often fiercely contested, and serious setbacks were experienced from time to time, but war eventually led to the further annexation of territory, especially after the pace of expansion quickened following a decisive victory over Tipu Sultan of Mysore in 1799. A succession of wars were undertaken by Governors-General Richard Wellesley (1798–1805) and Lord Hastings (1813–23) with a view to establishing 'paramountcy' over local states, and the outcome was the final defeat of the Marathas in 1818. This meant that the East India Company had secured direct or indirect control over much of India, and the period ended with the Company consolidating further territorial gains made during the first Burma war of 1824–8 conducted by Governor-General Lord Amherst.⁴

To many in Britain, and not least those within the East India Company, the events that led to the acquisition of a large territorial empire were both remarkable and quite unexpected. As one pamphleteer told the directors and stockholders during the late 1760s, they had been 'suddenly transported from your house in Leadenhall Street and shops abroad to the dominion of the richest Empire in the world and left, as if by dream, in that amazing pitch of exultation'.⁵ Clive, it was said by another observer, had 'roused the martial genius of his countrymen, and dragged the cautious, prudent measurer of cloth from behind the counter to the camp'.⁶ Consequently, some spoke of a 'revolution' having taken place in Bengal and this is certainly true in a political sense, even though there has been much debate among historians about the extent to which the transfer of power to the British actually prompted any deep economic and social changes in the areas where the Company held sway.⁷

4 For a convenient 'chronology of annexation' between 1757 and 1834 see Michael H. Fisher (ed.), *The politics of the British annexation of India, 1757–1857* (Delhi, 1993), pp. 10–21. See also the table on pp. xv–xvi.

5 *An address to the proprietors of India stock* (1769), pp. 8–9.

6 Captain Joseph Price, *Five letters from a free merchant in Bengal to Warren Hastings esq. . . .* (1777, reprinted 1783), p. 80.

7 For a recent volume containing key contributions to the debate about change within eighteenth-century India society see P. J. Marshall (ed.), *The eighteenth century in Indian history: evolution or*

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain,
1756-1833

H. V. Bowen

Excerpt

[More information](#)*Introduction*

5

Whatever the effects of British expansion on Indian society, there is no denying that considerable changes were wrought upon the East India Company, especially in terms of the resources that it had acquired. Endless calculations were made of the people, land, and riches that had been brought under British control, and Clive himself boasted to the House of Commons in 1769 that during the first phase of expansion the Company had taken possession of a 'rich, populous, fruitful country in extent beyond France and Spain united', which brought it the 'labour, industry, and manufactures of twenty millions of subjects'.⁸ By 1815 the political economist Patrick Colquhoun thought that the Company had taken possession of over 70 million acres of cultivated land and 'ad infinitum' of uncultivated land. He put the population of British India at just over 40 million and estimated that this represented 65 per cent of all the people living under the protection of the British Empire.⁹ Right at the end of the period, in 1833, a detailed calculation indicated that the Company had established control over 500,000 square miles of territory in India, containing 93.7 million 'British subjects' who paid £22,718,794 a year in taxation.¹⁰

Unsurprisingly, the Company's efforts to defend, govern, and exploit this vast empire brought about a considerable transformation in its own status, standing, and organisation on the subcontinent, and historians have traced the emergence of what is now routinely described as a Company 'state' in India. Underpinned by an extensive revenue-gathering operation and an increasingly sophisticated administrative system, the Company's position was protected by a large Indian army described by Governor-General Sir John Shore in 1794 as a 'mass which forms the bulwark of our power'.¹¹ This army was used for defence, revenue collection, and pacification or police duties, and by 1797 its importance was such that the director Francis Baring wrote 'the sword once surrendered,

revolution? (New Delhi, 2003). Marshall's introduction (pp. 1–49) offers a balanced assessment of the literature, but he nevertheless stresses the importance of long-run economic and social continuities.

8 BL, Eg. MS, 218, ff. 150–1.

9 Patrick Colquhoun, *Treatise on the wealth, power, and resources of the British Empire* . . . (second edition, 1815), pp. 7, 61.

10 Robert Montgomery Martin, *Taxation of the British Empire* (1833), table facing title page.

11 Shore to Dundas, received July 1794, quoted in Holden Furber, *The private record of an Indian governor-generalship. The correspondence of Sir John Shore, Governor-General, with Henry Dundas, President of the Board of Control, 1793–1798* (Cambridge, Mass., 1933), p. 42. For contemporary debate about the proper role of the Company's army see Edward Ingram, 'The role of the Indian army at the end of the eighteenth century', reprinted in Edward Ingram, *In defence of British India: Great Britain in the Middle East, 1775–1842* (1984), pp. 48–66.

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain,
1756-1833

H. V. Bowen

Excerpt

[More information](#)

there was an end to the Company as sovereigns, and, indeed, of the British Empire in India'.¹² There were some very obvious limitations to British power but, in the words of one recent historian, the Company's post-1818 regime became a 'very military state',¹³ and this meant that by 1833 Britain's formal institutional presence in India bore almost no resemblance at all to that of the mid-eighteenth century.

The Indian world of the East India Company was profoundly altered in the decades after 1756, but great changes also affected the domestic world in which the Company was located. This has to be remembered because the external political and economic influences that played upon the Company had a major bearing upon its development as an institution. In particular, general shifts in attitudes towards the empire combined with reform of 'old corruption' to produce much tighter regulation of imperial institutions from the 1780s onwards.¹⁴ At the same time, the advance of the economic ideas of Adam Smith and others saw monopoly practices and principles become increasingly outmoded and unpopular during the last decades of the eighteenth century. On the one hand, therefore, these background movements in metropolitan thought led to closer government control being exerted over the Company, while on the other hand the step-by-step loosening of commercial regulation exposed the Company to ever-greater levels of competition from private British merchants. Stripped of much of its independence and protection, the Company found its domestic status much altered over time, and this process was hastened by the continued growth of Britain's stock market and system of public finance. In 1756 the East India Company was of central importance to the City of London but the development, diversification, and expansion of the financial sector saw its once-prominent position significantly eroded during the first quarter of the nineteenth century. To the end of its days the Company remained an influential institution in the City, but as the financial world moved on apace after 1815 it slipped slowly from the commanding heights it had occupied in earlier times.

12 Quoted in Raymond Callahan, *The East India Company and army reform, 1783-1798* (Cambridge, Mass., 1972), p. 39.

13 D. A. Washbrook, 'India 1818-1860: the two faces of colonialism', in *OHBE*, vol. III: Andrew Porter (ed.), *The nineteenth century* (Oxford, 1998), p. 404. For some of the earlier limitations to the Company's 'military-fiscal juggernaut' see T. R. Travers, '“The real value of the lands”: the nawabs, the British, and the land tax in eighteenth century Bengal', *Modern Asian Studies*, 38 (2004), pp. 517-58 (quotation on p. 558).

14 These themes are explored in C. A. Bayly, *Imperial meridian. The British Empire and the world, 1780-1830* (1989), pp. 100-63.

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain, 1756-1833

H. V. Bowen

Excerpt

[More information](#)*Introduction*

7

WHAT WAS THE EAST INDIA COMPANY?

It should be abundantly clear from the preceding thumbnail sketch that the East India Company of 1833 was very different from the organisation that had existed seventy years earlier. Territorial expansion in India had transformed the Company into an imperial power and, unsurprisingly, this created considerable uncertainties among contemporaries about what it had become and what role it was to play in Britain and Asia. In turn, these uncertainties shaped both perceptions of the empire in India and the political responses that were made to the Company's many domestic problems.

In the days when the Company had been no more than a maritime trading organisation, few people beyond the world of commerce had been much inclined to express strong opinions about East Indian affairs. This all changed after 1757 as reports of Company corruption and misrule in India began to circulate widely through British society. Consequently, as events unfolded in Asia, East Indian affairs moved to the top of the political agenda, leaving few onlookers neutral in their attitudes towards the Company. Sharply divided opinion was reflected in the variety of ways in which contemporaries chose to describe the Company, and for every positive view there was always to be found a negative.

To some, the East India Company remained what it had always been: a maritime trading company dedicated first and foremost to the pursuit of profit on behalf of its stockholders. Indeed, as will be seen in chapter 7, the Company continued to carry all the hallmarks of a commercial organisation, and its administrative heartbeat in London was still determined by the routines and rhythms associated with the management of long-distance maritime trade. Adherence to familiar routines also imposed an order upon administrative affairs, which meant that meetings and decisions were still scheduled according to timings that altered very little over the years. Such routines provided strong elements of continuity within the Company, and their general importance was summed up by one stockholder who noted in 1813 that 'Regularity and order were the soul of business; and they were the more necessary in an establishment like the East India Company, so multifarious and complex as it was in its arrangements.'¹⁵

15 Alderman Atkins, speech of 1 September 1813, reported in *Debates at the East India, held at various Courts of Proprietors of East India stock, subsequent to the renewal of the East India Company's charter in 1813* (1814), vol. III, p. 78.

Cambridge University Press

0521844770 - *The Business of Empire: The East India Company and Imperial Britain*,
1756-1833

H. V. Bowen

Excerpt

[More information](#)

The many financial and business transactions needed to ensure the continued smooth running of the East India trade required the support of an elaborate commercial bureaucracy, and this later suggested to John Kaye that the Company had evolved into a 'leviathan mercantile firm'.¹⁶ Accordingly, some were persuaded that the Company's priorities remained commercial rather than territorial or political, and the occupants of East India House indeed often expressed such a view. Thus, although the Company had already established an empire, the Company's Secretary Robert James was emphatic in his declaration to the House of Commons in 1767 that 'We don't want conquest and power; it is commercial interest only we look for',¹⁷ and sentiments of this type were proclaimed mantra-like in the years that followed. They represented part of a sustained drive by those in London to curb any further territorial expansion or offensive warfare in Asia, but they also served as a reaffirmation of what some still believed were the Company's most important core activities.

It was feared that the acquisition of territory would result in the Company losing sight of its long-standing commercial and maritime objectives, and it was believed that this would be unwelcome as well as damaging to the national interest. A pamphleteer put such a case in 1769 when he stated that 'I know nothing we want but a maritime trade; this was the original plan we acted on, and to support the trade properly would bring all the wealth to this nation that could be desired or expected.' Accordingly, he argued that 'It is trade not sovereignty that it is our interest to pursue and the change of our own manufactories for theirs, by which only it can be of advantage.'¹⁸ Similar arguments were later advanced as the Company struggled to secure healthy financial returns from its territorial possessions, and during the late 1770s one harsh critic of the Company argued that it still remained possible for it to 'revert back to first principles'.¹⁹ The virtues of maritime empire and the advantages arising from straightforward commercial exchange were still being proclaimed by some at the very end of the century, long after the Company had extended its territorial possessions well beyond

16 John W. Kaye, *The administration of the East India Company: a history of Indian progress* (1853), p. 134.

17 Quoted in Marshall, *Problems of empire*, p. 17.

18 Anon., *A letter to a late popular director relative to India affairs and the present contests* (1769), pp. 9–10.

19 Price, *Five letters*, p. 80.

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain,
1756-1833

H. V. Bowen

Excerpt

[More information](#)*Introduction*

9

Bengal.²⁰ Indeed, during the late eighteenth century an enormous amount of visual art, and especially paintings of East Indiamen, continued to project a powerful and enduring image of the Company as a maritime trading organisation.²¹ Still perceived to be rooted firmly in trade, the Company was described by the political economist David Macpherson in 1813 as ‘the most illustrious and most flourishing commercial organisation that ever existed in any age or country’.²²

Of course, the realities of the political and military situation in India were such that few could deny that a process of profound institutional metamorphosis had begun during the mid-eighteenth century. In 1751, the Company’s growing military strength had already suggested to the political economist Malachy Postlethwayt that it ‘had commenced a kind of military company instead of a trading one’,²³ and events after 1756 served only to confirm that the Company was now able to impose its will and authority upon different parts of India. Thus, to Clive’s aide Luke Sraffton the Company was ‘No longer considered as mere merchants, they were now thought the umpires of Indostan’, and the late Reverend John Entick concluded that through ‘many unexpected contingencies’ the Company had been converted from ‘an incorporated society of private traders into a cabinet of Asiatic princes’.²⁴ As a result, it could be said by 1772 that the Company had risen ‘from very slender beginnings, to a state of the highest importance; their concerns, simple at first, are grown extremely complex, and are immensely extended. They are no longer mere traders, and confined in their privileges; they are sovereigns over fertile and populous territories.’²⁵ Some well-informed contemporaries

20 W. Playfair, *Strictures on the Asiatic establishments of Great Britain; with a view to an enquiry into the true interests of the East India Company* (1799). Playfair challenged the ‘very mistaken and absurd notion that our territorial possessions are of more importance than the trade to India itself’ (p. 115).

21 Geoff Quilley, ‘Signs of commerce: the East India Company and the patronage of eighteenth-century British art’, in H. V. Bowen, Margarete Lincoln, and Nigel Rigby (eds.), *The worlds of the East India Company* (Woodbridge, 2002), pp. 183–99.

22 David Macpherson, *Annals of commerce, manufactures, fisheries, and navigation with brief notices of the arts and sciences connected with them*, 4 vols. (1805). A friend to the directors, Macpherson listed in his dedication the contributions that the Company made to the commercial well-being of the nation.

23 Malachy Postlethwayt, *The universal dictionary of trade and commerce, translated from the French of the celebrated Monsieur Savary . . . with large additions and improvements . . .*, 2 vols. (1751), vol. II, p. xxi.

24 Luke Sraffton, *Reflections on the government of Indostan . . .* (1763, reprinted 1770), p. 120; the late Reverend John Entick et al., *The Present state of the British Empire . . .*, 4 vols. (1774), vol. IV, p. 533.

25 *Monthly Review*, vol. XLVI (1772), p. 236. For views on the transformation of the Company’s status in India, as expressed by some of the leading servants in India, see P. J. Marshall, ‘Britain and the world in the eighteenth century: III, Britain and India’, *Transactions of the Royal Historical Society*, sixth series, vol. X (2000), pp. 13–14.

Cambridge University Press

0521844770 - The Business of Empire: The East India Company and Imperial Britain, 1756-1833

H. V. Bowen

Excerpt

[More information](#)

such as Thomas Macaulay later used the benefit of hindsight to take issue with the view that the Company experienced a rapid, all-transforming change in India during the 1750s,²⁶ but not even he could deny that the Company's power and influence were greatly enhanced during the middle decades of the eighteenth century.

People also began to consider the importance of the Company's role as the *de facto* sovereign power in Bengal. The imperial theorist Thomas Pownall declared that whatever the 'farce of treaties' and the 'fiction of a nabob' might suggest, 'the fact is that the government of the country is dissolved, the sovereignty annihilated', and this drove him to the conclusion that 'The merchant is become the sovereign.'²⁷ Pownall's phrase came to be echoed by many commentators, most of whom acknowledged that the Company had not simply replaced trade with empire but had in fact taken upon itself the simultaneous management of two interrelated, but very different, forms of overseas activity. Yet although there could be no doubt that the Company had acquired full control over Bengal, its legal standing and status in the region was by no means clear-cut or accepted by all.

The question of sovereignty in India was long a matter for heated debate in Britain, and both the Company and the Crown advanced powerful competing claims for legal possession of the territories that had been brought under British control.²⁸ This was not merely an abstract theoretical debate because the 'right' to possession of the *diwani* revenues depended upon the outcome. The Company's claims to what it regarded as its own private property were based upon an interpretation of events that enabled it to argue that it had secured the *diwani* by way of a grant from the Mughal Emperor and not simply through an act of conquest. The settlement embodied in the Treaty of Allahabad thus saw the Company continue to acknowledge Mughal sovereignty, and, in return for the annual payment of tribute to Delhi, it undertook to collect revenue as the *diwan* of Bengal. Successive governments took issue with this claim, however, by declaring that in reality the Company had secured control over Bengal (and the Emperor) through military conquest, and since British subjects could only acquire territory on behalf of the Crown the

26 T. C. Hansard, *Parliamentary debates*, third series, vol. XIX, col. 508 (debate of 10 July 1833).

27 Thomas Pownall, *The right, interest, and duty of government, as concerned in the affairs of the East Indies* (revised edition, 1781), pp. 3, 26–7.

28 For the political and legal debate surrounding the territorial revenues see H. V. Bowen, 'A question of sovereignty? The Bengal land revenue issue, 1765–7', *Journal of Imperial and Commonwealth History*, 16 (1988), pp. 155–76.