

400 Years of the East India Company

Huw V. Bowen asks whether the East India Company was one of the 'most powerful engines' of state and empire in British history.

The year 2000 marks the 400th anniversary of the founding of the English East India Company, the trading organisation that acted as the vehicle for British commercial and imperial expansion in Asia. For over two hundred years, the Company stood like a colossus over trade, commerce and empire, and contemporaries could only marvel at its influence, resources, strength and wealth. Writing at the beginning of the nineteenth century, the political economist David Macpherson was unequivocal in his assessment that the Company was 'the most illustrious and most flourishing commercial association that ever existed in any age or country.'

Today even the most powerful firm pales by comparison in terms of longevity and wide-ranging economic, political and cultural influence. In an era before fast travel and instant communication, the East India Company established a far-flung empire and then set about governing, controlling and exploiting it from a great distance in London. It managed to do this until it was finally rendered obsolete by the tumultuous events surrounding the Indian Mutiny in 1857.

The Company was granted its first charter by Elizabeth I on the last day of 1600, and it had to survive an uncertain first century or so as it sought access to Asian markets and commodities. At home, it was

restructured several times, notably between 1698 and 1708 when an 'old' and 'new' East India Company co-existed before merging to form the United Company of Merchants Trading to the East Indies. In the East, the Company came under such pressure from its Dutch rivals during the mid-seventeenth century that it was obliged to shift the main focus of its activities from the Malay archipelago and the Spice Islands to South Asia. Over time, it managed to establish a commercial presence in India centred upon three 'presidencies' established at Madras, Bombay and Calcutta. These tenuous footholds were fortified and defended by the Company as it sought to consolidate its position in an often hostile commercial and political world. This in turn gave rise to the growth of a small private army that was eventually to rival the regular British army in terms of size and manpower. The Company's role in India was thus defined by both commercial activity and a military presence: it was considered legitimate to use force in support of trade, and the overseas personnel were organised and deployed accordingly. In the words of one contemporary, it was a 'fighting company'.

By the mid-eighteenth century, the Company had begun to assert itself over rival European companies and Indian powers alike, and this placed it in a position from which it could begin to carve out an extended territorial and commercial empire for itself. The

actions of men such as Robert Clive (1725-74), Warren Hastings (1732-1818) and Charles Cornwallis (1738-1805) helped to transform the Company from trader to sovereign, so that during the second half of the eighteenth century millions of Indians were brought under British rule. As William Playfair put it in 1799:

From a limited body of merchants, the India Company have become the Arbiters of the East.

The Company created the British Raj, and as such it has left a deep and permanent imprint on the history and historiography of India. The story, once almost universally described as the 'rise of British India', not so long ago formed part of the staple reading diet of British schoolchildren and students. In the post-colonial era, when imperial history has ceased to be fashionable, the legacies of British India are still hotly debated and contested. It is within this context that the history of the East India Company remains to the fore.

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Rather less obvious, perhaps, is the part played by the East India Company in the domestic development of Britain. Indeed, today's casual observer finds few signs of the leading role it once played in the nation's business, commercial, cultural and political life. In terms of architecture, for example, there is little surviving evidence in London of the Company's once-extensive property empire. The London docklands, home to the East India dock complex, has been reshaped. Although Commercial Road and East India Dock Road—the purpose-built link with the City—survive, the docks themselves have been filled in and redeveloped, leaving only a few poignant reminders of the Company's once formidable presence in the area. To the West, the great fortress-like warehouses built by the Company at Cutler Street were partially demolished and refurbished in controversial circumstances during the late 1970s. There is no trace remaining whatsoever of the Company's headquarters in Leadenhall Street. Charles Dickens once described the 'rich' East India House 'teeming with suggestions' of eastern delights, but it was unceremoniously pulled down in the 1860s, and in its place today stands the new Lloyd's Building, also a monument to commercial capitalism, but displaying rather different architectural qualities. In recent years, the only obvious local clue to the Indian connection was provided by the East India Arms, a tavern in nearby Lime Street, but that too has now fallen victim to the modern re-naming and re-branding process. As a result, the East India Company is now out of sight and out of mind.

It was not always like this. During the late eighteenth century, the Company played a key role in London's economy, employing several thousand labourers, warehousemen and clerks. Returning fleets of East Indianmen moored in Blackwall Reach, before their Indian and Chinese cargoes were transferred via hoys and carts to enormous warehouses where they awaited distribution and sale in Britain's burgeoning consumer markets. The profile of the Company in London was always high and the eyes of many were on Leadenhall Street. Political infighting at East India House regularly captured the attention of the metropolitan chattering

classes. The Company itself was repeatedly subjected to inquiry by a Parliament uneasy about the turn being taken by events in the East.

The Company's domestic tentacles extended well beyond London, however, and its influences were widely felt across the south of England. Provincial outposts were established in the form of the agencies in ports such as Deal, Falmouth, Plymouth and Portsmouth. Over the years the Company maintained camps for its military recruits at Newport in the Isle of Wight, Warley in Essex and at Chatham in Kent. Educational establishments were set up for the purpose of preparing those destined for service overseas. During the first half of the nineteenth century, the East India College at Haileybury in Hertfordshire educated boys for the civil service, while Addiscombe Military Seminary near Croydon trained military cadets.

More generally, the Company touched many sectors of British society and the economy, as some contemporaries acknowledged. In 1813, for example, a friend to the Company, Thomas William Plummer, set about identifying what 'proportion of the community' had a connection with the Company. Without mentioning several million purchasers of tea, spices, silks, muslins and other Asian commodities, he listed investors, Company employees of many types, tradesmen, manufacturers, shipbuilders, dealers, private merchants, military personnel and ship crews, before concluding that:

Scarcely any part of the British community is distinct from some personal or collateral interest in the welfare of the East India Company.

There was more than a grain of truth in what Plummer wrote, and by the beginning of the nineteenth century many interests across the country had been tied closely to the Company. This was particularly the case with the several thousand or so well-to-do individuals who chose to invest in Company stocks and bonds. For much of the eighteenth century East India stock was the most attractive investment available in the nascent stock market, not least because it always paid out an annual dividend of more than 5 per cent. The India bonds that provided the Company with its short-term work-

ing capital were also highly prized, with one early stock market analyst describing them as 'the most convenient and profitable security a person can be possessed of'.

The fortunes of Company and nation had become so tightly intertwined that they had begun to move in tandem with one another as those who took a broad view of political and economic matters were able to see. When the Company flourished, the nation flourished. Equally, as Edmund Burke put it, 'to say the Company was in a state of distress was neither more nor less than to say the country was in a state of distress'. Such logic dictated that the effects of any crisis or catastrophe experienced by the Company in India would be deeply felt in Britain and the wider British Empire, and this was well understood by close observers of the imperial scene. One pamphleteer wrote in 1773 that the loss of India would occasion a 'national bankruptcy' while the imperial theorist Thomas Pownall suggested that such an event would cause 'the ruin of the whole edifice of the British Empire'. These concerns lay behind the increased levels of government anxiety about Company adventurism, misrule, and mismanagement in India that became evident after 1760.

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Late eighteenth-century concerns about events in the East reflected the fact that the East India Company was no longer an ordinary trading company. It had evolved into an immensely powerful hybrid commercial and imperial agency, and after the conquest of Bengal it fundamentally reshaped its traditional commercial policy based upon the exchange of exported British goods and bullion for Asian commodities. Instead, the Company concentrated its efforts on the collection of territorial and customs revenues in northeast India. The right to collect these revenues had been granted by the

Mughal Emperor Shah Alam II in 1765, an event which both confirmed British military supremacy in the region and served to elevate the Company to the position of *de facto* sovereign in Bengal and the neighbouring provinces of Bihar and Orissa. Thereafter, trade was used to facilitate the transfer of 'tribute' from Asia to London as surplus revenue was ploughed into the purchase of Indian and Chinese commodities for export to Britain. As Edmund Burke later remarked, this marked a 'revolution' in the Company's commercial affairs.

The Company's empire had now become self-financing to the point that further military expansion could be sustained, but it was also believed that generous payments could be made to domestic stockholders and the British government alike. This proved to be a vain hope, but the transfer of tribute helped to define the essential characteristics of the late-eighteenth-century state-Company relationship. Successive ministers declared the state's 'right' to a share of the Bengal revenues, but in return for the promise of annual payments into the public treasury they allowed the Company to continue in its role as the administrator, defender and revenue collector of Bengal. This brought the British government the benefits of empire without any expensive administrative or military responsibilities. It was a welcome and convenient arrangement at a time when the national debt was spiralling ever-upwards and parts of the Empire, most notably North America, were proving increasingly difficult to control and subdue.

By the 1770s the Company thus found itself as something akin to a semi-privatised imperial wing of the Hanoverian state, with its operations being defined by the dual pursuit of both private and public interest. It was charged with the protection, cultivation, and exploitation of one of Britain's most important national assets, and contemporary observers described its new role accordingly. In 1773 the prime minister, Lord North, declared that the Company was acting as '[tax] farmers to the public', while a late-century pamphleteer suggested that the Company had become 'stewards to the state'. In this scheme of things, there was a greater need for the Company to become

more accountable, efficient, and reliable, and this desire lay behind the reforms embodied in North's Regulating Act of 1773 and Pitt's India Act of 1784.

The Company's importance to the British state was not, however, simply to be assessed in terms of its role as the licensed agent through which metropolitan administrative, fiscal and military influences were brought to bear upon the Indian empire. The Company had been present at the birth of the eighteenth-century state during the troubled period following the 'Glorious Revolution' of 1688-89. As a hard-pressed nation struggled to cope with the demands of the Nine Years' War, ministers had drawn heavily on the financial resources of the 'new' East India Company that had received its charter in 1698. This meant that when the United Company was established in 1709 it was already deeply embedded in both the public finances and the City of London where, together with the Bank of England, it formed part of the 'momed interest'.

The financial relationship between state and Company took several different forms, all of which were a variation on a theme that saw the Company's monopoly privileges periodically confirmed or extended by the Crown in return for loans or payments made to the public purse. Indeed, by the 1720s the entire paid-up share capital of the Company, almost £3.2 million, was on longterm loan to the state at 5 per cent interest. This sizeable advance was extended to £4.2 million before prime minister and chancellor Henry Pelham's restructuring of the national debt in 1749-50 saw the reduction of interest payments to 3 per cent and the creation of the East India annuities. This extensive underwriting of the post-settlement regime was such that a Chairman of the Company, Jacob Bosanquet, was later to borrow a phrase from Adam Smith and declare that the Company, together with the Bank of England, had become one of the 'most powerful engines of the state'. As Chairman of a company under great pressure from critics by 1799, Bosanquet was hardly likely to say anything else, but his comments were not altogether inaccurate. His organisation had established itself as a cornerstone of the City of London, and as

such it had played a key role in supporting the state and public credit.

By the end of the eighteenth century, apologists were thus arguing that the Company formed part of the very foundations of Britain's state and empire, yet within sixty years it had ceased to exist at all. What happened to make the great 'engine' run out of steam so rapidly?

There are a great many answers to this question but the most basic one is undoubtedly the most important. Quite simply, in economic terms the Company failed to deliver what it had promised since the 1760s. As the military and administrative costs of empire multiplied, the Company proved itself unable to generate a revenue surplus for transfer to Britain. A great many attempts were made to remodel the Company's fiscal and commercial operations but successes in one area were always offset by failures and setbacks elsewhere. Only the striking growth of the China tea trade offered the Company any prospect of success, but that in itself was not enough to satisfy the demands of profit-hungry stockholders and ministers. Indeed, the annual flow of 'tribute' to the state Treasury promised by the Company in 1767 had dried up almost at once. By 1772 the Company was teetering on the edge of bankruptcy, having failed to master the complexities of its new role in India, and a degree of desperation forced it into the measures that ultimately led to the Boston Tea Party the following year. Thereafter, the Company staggered from crisis to crisis, requiring government loans to enable it to continue functioning. In effect, this meant that roles had been reversed, and the Company had become dependent upon the state for financial support.

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A dose of economic reality, coupled with widespread metropolitan unease about 'despotic' Company government in India, caused many commentators

rapidly to reassess their views of Britain's eastern empire. Nowhere was this more evident than with Edmund Burke who became one of the Company's harshest critics and campaigned long and hard for reform and the punishment of British misdeemeanours in India. Initially, though, Burke had been as captivated as any observer by the prospect of Britain gaining very real material advantage from the Company's successes in Bengal. He had outlined the economic potential of India to the House of Commons in 1769 before concluding that 'The Orient sun never laid more glorious expectations before us.' This type of view was commonplace during the 1760s, but it was replaced by much gloomier assessments of the situation in the decades that followed. Commentators soon tired of hearing about the promise of Indian wealth being used to the advantage of the metropolis, and began instead to expose the flaws that were evident in the Company's calculations and methods. The figures did not seem to add up, leaving one MP, George Tierney, to complain that 'Our Indian prosperity is always in the future tense.'

Criticism such as this only strengthened the case of those in Britain who were campaigning vigorously for the East India trade to be opened up to free competition. Just as the utility of the Company to the nation began to be discussed, old mercantilist assumptions about the organisation of trade were being called into question. Taking a lead from Adam Smith, who had condemned chartered companies as being 'nuisances in every respect', critics exposed the Company to searching analyses of its methods and practices.

Under such attack, the Company proved unable, indeed almost unwilling, to answer the charges levelled against it. Although it began to emphasise the contribution it made to intellectual and scientific life in Britain, it failed to argue convincingly that it alone offered the best way forward for the further development of the Anglo-Asian connection. Part of the reason for this was that the Company believed it had already taken the organisation of its commercial and fi-

nancial affairs to the highest possible level. It proved to be remarkably complacent and, together with a deep-rooted institutional conservatism, this meant that any change was regarded with the deepest suspicion. As one director of the Company put it, 'Innovations in an established system are at all times dangerous'. Few friends of the Company could see any need to alter an organisation that was thought to be beyond improvement, and this case was restated time and again. Most would have agreed with Thomas Mortimer who argued during the 1760s that the Company had 'brought the commerce and mercantile credit of Great Britain to such a degree of perfection, as no age or country can equal.' To alter anything would be to invite trouble. Sustained failure and disappointing performance, however, flew in the face of such opinion, and this ensured that pressure for change continued to grow from outside the Company.

In the end, the Company's failure was essentially two-fold as far as many of those in the metropolis were concerned. It failed to deliver to Britain the great financial windfall that had been anticipated after the conquest of Bengal; and because of this it was unable to sustain much beyond 1760 its position as one of the major institutional and financial props of the Hanoverian state. When charges related to misrule, despotism, unfair monopoly practices and a host of other complaints were added to the scales, they served eventually to tip the balance of political opinion.

The immediate and outright abolition of the Company, however, was never an option because the state did not possess the resources, skills or will necessary to govern a large empire in India. Instead, successive breaches were made in the Company's commercial position. Trade with the East was opened up to a limited degree in 1793; the Indian monopoly was ended in 1813; and the exclusive trade with China was abolished in 1833. The Company survived for another twenty-five years as Britain's administrative and military representative in India, but by then it was a trading company

in name only. The Company had achieved the full transition from trader to sovereign, amply fulfilling Adam Smith's prediction that trade and government were incompatible within a 'company of merchants'.

The Company ended its days in the aftermath of the Indian Mutiny when no case at all could be advanced for its survival in any form. Its powerful legacy endured in India for many more years in the form of the Indian army and civil service, but sight was soon lost of the importance of its contribution to the development of the metropolitan state and to imperial Britain itself. Today the Company has been almost entirely removed from the geographical and historical landscape and it has been more or less erased from our national consciousness. As the 400th anniversary of the founding of the Company approaches, this makes it all the more necessary for us to reflect on the deep, but now hidden, impression left on British history by this quite extraordinary institution.

FOR FURTHER READING

H.V. Bowen, 'Investment and Empire in the Later Eighteenth Century: East India Stockholding, 1756-1791', *Economic History Review* (1989); K.N. Chaudhuri, *The English East India Company: The Study of an Early Joint-Stock Company* (Cass, 1965); John Keay, *The Honourable Company: The History of the English East India Company* (Harper Collins, 1991); Philip Lawsons, *The East India Company: A History* (Macmillan, 1993); Martin Moir, *A General Guide to the India Office Records* (British Library, 1996); Jean Sutton, *Lords of the East: The East India Company and its Ships* (Conway Maritime Press, 1981). Information about the records of the East India Company can be found on the British Library's website <http://www.bl.uk/> (follow the links to the Oriental and India Office collections).

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