

RAMKRISHNA MUKHERJEE

**THE RISE AND FALL
OF THE
EAST INDIA
COMPANY**

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BY

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THE RISE AND FALL
OF THE EAST INDIA COMPANY

To the memory of my father
Satindra Nath Mukherjee

FOREWORD

The present study does not claim any originality in historical materials relating to the formation of the East India Company in Britain; its activities in the mother country, vis-a-vis other European Powers, and in India; and its final decay. Very many books have been written by able historians, noting the salient points in the life of the East India Company. But scarcely any one has so far attempted to give a complete picture of the Company in the light of the social forces which led to its formation, its activities as they were in the course of its existence, and its eventual removal from world society. Such *social* studies, as differentiated from what are generally known as *historical* studies, are available for different phases in the life of the Company. The present study does no more than to present such a comprehensive view, covering the period from immediately before the birth of the Company until its final decay.

Since history is not the main discipline of the author, there may be some minor inaccuracies in the study, although the author has tried to gather his materials from the reliable and generally accepted historical works and documents. Though such minor inaccuracies, which do not affect the overall formulations put forward in this study, may be excusable in a comprehensive analysis, the author would welcome criticism to rectify them. And, in any case, in spite of such faults, if there are any, the author is inclined to consider this attempt fruitful if it can help to answer the *Whys* of the apparent behaviour of the Company, which appear to have led to many fallacious views on its role in India and Europe. This he considers his duty as a social scientist.

What are the current views on the character of the East India Company and the role it played in India?

Firstly, there is the view that the Company always nurtured good intentions for India and her people; and if there were some cases of

oppression, breach of faith, and other "ungentlemanly" behaviour on the part of the Company or its employees (which could not be completely ignored, so obvious they were), these were isolated incidents resulting either from general ignorance of the Directors of the Company in London and their servants in India, as regards peculiar "oriental" mentality and the customs of the "natives", or because of particular individuals in the employment of the Company who might have failed in prosecuting their honourable duties (as befitting the Englishman) of looking after the interests of the Company as well as of the Indian people basking under the glory of British rule.

Thus, Mr. Ramsay Muir, Professor of Modern History in the University of Manchester, came to the conclusion in his wellknown study on "The Making of British India"¹:

"Never was Empire less the result of design than the British Empire of India."

According to him, the East India Company *became* the ruler of India, even though "they struggled against it". But once having undergone the transformation, the Company "rendered immeasurable services to the peoples of India". Its "three priceless gifts" to the Indian people were:

1) "Political unity, . . . which they never in all their history possessed before";

2) "Assured peace (bringing easy intercourse)", which revealed that "the *pax Britannica* has been a yet more wonderful thing than the *pax Romana*";

3) "Reign of Law", which under the Company's rule took "the place of the arbitrary will of innumerable despots".

And, if there were some defects, they were of course unavoidable — the leaders and the servants of the Company "being human".¹

Mr. Muir is only one of many to be still found in Great Britain and in the Continent of Europe.*

* See, for instance, "The Man Who Ruled India" by Philip Woodruff (Jonathan Cape, London, 1953), which was dedicated:

"To the Peoples of India and Pakistan whose tranquillity was our care and whose continuance in the family of nations to which we belong is our Memorial."

Besides such unadulterated eulogization of the East India Company, there is the second view that since the birth of the Company in 1600 and up to the close of the seventeenth century, the Company represented a band of peaceful traders. But the conquest of a part of India in the battle of Plassey in 1757 roused their ambition for territorial acquisition of the whole of the rich subcontinent. This ambition, which had faint expressions in the last two decades of the seventeenth century, now transformed the peaceful traders into domineering rulers; and their continued success in subjugating different parts of India, filled their heads with ideas of power and made them greedy and tyrannical.

This view has received so common an acceptance that even three reputed Indian historians – R. C. Majumdar, H. C. Raichaudhuri and Kalikinkar Datta – noted with reference to the last decades of the seventeenth century²:

“The Company’s policy in India also changed during this period. A peaceful trading body was transformed into a power eager to establish its own position by territorial acquisitions, largely in view of the political disorders in the country.”

And, then:

“The battle of Plassey was, . . . , a great turning-point, not only in the political but also in the economic history of Bengal. Apart from the resulting misrule and confusion, which had an adverse effect upon trade and industry, several causes directly operated in impoverishing the country and ruining its rich and prosperous trade and industry.”

Lastly, there is the view that while the role of the East India Company might or might not have been up to the standards demanded by British honesty, truthfulness and such virtues, nevertheless the rule of the British Crown over India since 1858 was certainly beneficial to the Indian people, although the Government was not popular in India as before.

Thus, Sir John Strachey, C.G.S.I. stated at Cambridge University in 1884 in “a course of lectures on subjects connected with India”³:

“There is hardly any country possessing a civilised administration where the public burdens are so light. Mr. J. S. Mill declared his belief that the British Government in India was ‘not only one of the purest in intention,

but one of the most beneficent in act, ever known among mankind'. I do not doubt that this is still truer now.

Whether all this makes our Government really popular is another question. . . .

The truth is that, in a country in the conditions of India, the more actively enlightened our Government becomes, the less likely it is to be popular. Our Government is highly respected; the confidence of the people in our justice is unlimited."

But,

"The sympathies between the people and their English rulers can hardly be anything but imperfect. . . .

I never heard of a great measure of improvement that was popular in India, even among the classes that have received the largest share of education. . . .

It would thus be an error to suppose that the British Government is administered in a manner that altogether commends itself to the majority of the Indian population. This we cannot help. Considerations of political prudence compel us to tolerate much that we should wish to alter, and to abstain from much that we might desire to see accomplished, but, subject to this most essential condition, our duty is plain. It is to govern India with unflinching determination on the principles which our superior knowledge tells us are right, although they may be unpopular."

And so on, a panegyric on the glory of British rule in India, which one often hears in the West.

Of these three main views, although the last one is beyond the scope of the present study, it may be noted that the national movement of India throughout the period of British rule has amply demonstrated the falsity of the above claim. The other two views are within the purview of the present study. Of them, the first one is not shared by the majority. So much has been unearthed by historians, economists, politicians and other social scientists regarding the reign of inhuman oppression of the people of India and the loot and plunder of India's wealth by the East India Company and its servants since the conquest of Bengal in 1757 that except for a few die-hards no one would plead for the Company the excuse of ignorance and commission of some "mistakes". But the social character of the Company, which was fully revealed with the assump-

tion of political power over India, has not been realised by many. Therefore, several British writers, even though they possessed profound sympathy for the Indian people, attempted to explain this shocking revelation by abstract value-judgement.* The same was also done by several Indian writers who had failed to understand the socio-economic roots of British expansion and colonial policy, and had pinned their faith in the "British sense of justice" which, they thought, must prevail in the end.** Hence, a study of the rise and decay of the East India Company in the social perspective of England and India at that time is still called for.

What is this social perspective that one should look for? Since the East India Company was a typical monopolist company of Merchant Capital, to appreciate its activities it is first necessary to recount something about the formation of merchant capital and of the historical basis of the growth of the East India Company in England. From a general consideration, these aspects have been intensively studied by several economists and historians. What is attempted in the following pages is to focus the results of their investigations in line with the subject-matter of the present study. On the following pages, therefore, it will be briefly described:

- 1) Why and how from about the fourteenth century onwards conditions were created in England and some other European States for the growth of Merchant Capital;

- 2) Why from the beginning it took a monopolist character, and thus encountered two sources of opposition, viz. (a) from the *have-nots* in the mother country, and (b) from similar monopolist companies in other European States;

- 3) How the expansion of merchant capital had to be linked with the extension of commercial relations to other countries under conditions advantageous to the merchant companies;

* For instance, W. M. Torrens, M. P., in his book entitled "Empire in Asia - How we came by it: A Book of Confessions" (Trübner & Co., London, 1872), accounted for the Company's subjugation of India by "the spirit of conquest" which "breathes so fearlessly through every page of England's history" (p. 6).

** See, for instance, the Preface to the books by Romesh Dutt, entitled "The Economic History of India under Early British Rule" and "The Economic History of India in the Victorian Age" (Routledge & Kegan Paul, Ltd., London, 1950).

4) Why the loudly proclaimed “honest mercantile trade” of these European nations could acquire a meaning only when it was interpreted in terms of “colonial trade”. This, therefore, led to serious rivalry between the merchant companies of different nations with regard to obtaining trading privileges in those countries with which they wanted to trade, and also raised the problem of fighting the “Interlopers” or rival merchant companies and individual merchants belonging to the same country;

5) Why for such “trade relations” these companies *had* to aspire for political power, which the English East India Company ultimately got in India;

6) Why the merchant bourgeoisie soon became reactionary in their home countries, and, consequently, what was the effect of the struggle which ensued between the decadent mercantile bourgeoisie and the growing industrial bourgeoisie in the mother country vis-a-vis the colonies, like India?

In conformity with the points of study outlined above, Chapter 1 will deal with the social background leading to the rise and decay of the Company. Chapter 2 will deal in detail with the birth of the Company and the resolution of the antagonism between the *haves* and *have-nots* merchants in England in relation to India, which they found as “a true mine of gold”⁴. Chapter 3 will examine the course of rivalry between the rival mercantile interests of Europe, representing different nations, the resolution of the rivalry between which could not be effected by internal regulations, and so, in the main, the Powers had to resort to open wars. Chapter 4 will deal with the stage of social development in India at the advent of the Company and until its conquest of India, and will also reveal the role the Company played in India to gain its own end vis-a-vis the Indian rulers, — a game of guile and bribes, of coercion and treachery, — exposing the worst side of human character. Chapter 5 will deal with the loot and plunder of India which the Company and its officials began with the usurpation of political power, and which thus gave vent to the full character of merchant capital. And, Chapter 6 will deal with the Company’s losing battle against a new System — the Era of Industrial Capital, and how the Company was forced to accept its natural death.

The present work is the result of a course of lectures which the author, as a Guest Professor of the Humboldt University in Berlin, delivered to the students of the Institute for Indian Studies during the Autumn Term of 1953-54. Thanks for its preparation are therefore due primarily to the authorities of the Humboldt University who gave full facilities for the work. The author also feels particularly grateful to Professor Walter Ruben, the Director of the Institute for Indian Studies, who took keen interest in its preparation and publication, and to Mr. Ralf D. Jung, a student of the Institute for Indian Studies, who helped in preparing the Index and other matters relating to the publication of the book.

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CHAPTER 1.

SOCIAL BACKGROUND

Some authorities are of the opinion that when the town communities of Europe succeeded in winning partial or complete autonomy and began their independent career they were somewhat egalitarian in character. Whether that was universally true or not, and whether it is not true that in some places at least, such as in Italy, the situation was complicated by the presence of feudal families within the towns, it has been asserted with some degree of certainty that "the inequalities that existed in English towns prior to the fourteenth century were not very marked"⁵. This leads to the further question as to the method by which the citizens obtained their income. The answer to this question is evidently that the essential basis of urban society lay in what Marx termed the "petty mode of production", that is, under the system production was carried on by small producers who owned their instruments of production and who freely traded in their products. No doubt, as some authorities have described, in course of time, with the growth of the towns in population and extent, the original owners of urban land enriched themselves from sales of land or from leases at a high rent, and this formed an important source of capital accumulation in the thirteenth and fourteenth century; but there also cannot be any doubt that at the outset the "petty mode of production" remained true of the handicraft body at any rate. Referring to England it has been noted⁶:

"... even though from the earliest times there may have been some citizens who were exclusively traders, few of these in England could have been much more than pedlars travelling between the town market and neighbouring manors, and their activities could hardly have been extensive when the bulk of trade was local and took the form of an exchange of craftsmen's wares sold retail in the town market against country produce that the peasant brought to town to sell."

But under that system the productivity of labour was low and the unit of production was small. Hence, savings would be meagre, and there was thus little scope for capital accumulation except from sudden luck or the increment of land values. It follows therefore that such chance gains or mere increment of land values could not fully account for the splendid riches and the accumulation of the early bourgeoisie. Also, their fortune could neither be accounted for by the exploitation of the surplus labour of servile class, nor could it be realised from the surplus labour of wage-earners, as the urban bourgeoisie of the fourteenth and fifteenth centuries had neither serfs to toil for them like the feudal lords nor had they yet invested in the employment of an industrial proletariat. Evidently, the source unfolded itself with the beginning of wholesale trade in which the emergent privileged class of burghers engaged themselves, having cut themselves off from production.

What was the basis of this trading income? Adam Smith and other economists following the same trend of thought were of the opinion that this burgher wealth was truly "produced", instead of being "acquired"; acquired, firstly, as a share in the products of the town craftsmen and the peasant-cultivators which otherwise would have accrued to the producers themselves or would have been converted into feudal revenue, and, lately, in an increasing measure in the scarcely-veiled plunder of other lands with which these traders undertook "commercial" relations. Adam Smith has discussed at length how the services that the spread of commerce performed for the direct producer or the aristocratic consumer produced wealth for the burgher merchants. It is true that by extending markets and by making supplies available in greater variety in places and at seasons where no supplies were available before, commerce had served to raise the standard of life of the producers, and thus obtained its reward as a share of this general increase, instead of encroaching on an unchanged standard of consumption. It is also true that, with the extension of commercial enterprise, the communities which were previously confined within the narrow limits of a local market could now raise their standards; just as at a later stage commerce created the conditions within production itself for an extended division of labour. But all such beneficial effects of commercial enterprise of a society do not explain how the vast fortunes and the great accumula-

tions, characteristic of the merchant class at this period, were made. Granted that commerce was very useful, and enlarged the sphere of utilities in the society; but that alone does not explain why the commercial enterprise yielded such a handsome surplus which handicraft failed to produce. As has been remarked⁷:

“... it does not explain why commerce was the basis of so large a *differential* gain. Windfalls, it is true, might be expected to be more plentiful in a novel and previously unadventured sphere. But windfall gains can hardly account for a persistent and continuing income on so large a scale: in the course of time one could have expected competition in this sphere, if it were unhindered, to bring the normal expectation of gain into line with that of urban industry.”

Hence, the explanation for this must be sought somewhere else, in some other features of the development of the societies of that period.

These features, in the main, were, firstly, that the bulk of commerce in those days, and especially foreign commerce, went on hand in hand with some political “concession” or it was scarcely-veiled plunder; and, secondly, that as soon as a class of merchants assumed any corporate form, they strove for monopoly powers, so as to guard themselves from competition from other merchants not included in their body, and to have the major or undisputed say in all dealings with producers and consumers. These two features were the guiding principles of all monopolist companies of Merchant Capital, including naturally the East India Company.

Of the two above features, the former pertains to what Marx called “primitive accumulation”, and the latter has been characterised as “exploitation through trade”⁸. Marx, in his *Historical Data Concerning Merchants' Capital*, has noted⁹:

“The rule, that the independent development of merchants' capital is inversely proportioned to the degrees of development of capitalist production, becomes particularly manifest in the history of the carrying trade, for instance, among the Venetians, Genoese, Dutch, etc., where the principal gains were not made by exportation of the products of the home industries, but by the promotion of the exchange of products of commercially and otherwise economically undeveloped societies and by the exploitation of both spheres of production.