

# *Economic Policies of the East-India Company, 1738-1849: An Assessment*

**Farah Gul Baqai\***

## **Introduction**

The British rule over the Subcontinent was founded by a trading entity, namely the East India Company. This commercial concern wearing a sovereign crown, dispensing law and justice, waging wars, and conquering territories played a unique role in the history of South Asia. The company on the one hand ruled over the land and on the other collected revenues through suppressive policies and actions under the umbrella of the British Crown. The parliament of England exercised a constant vigilance over its affairs, passed many laws to regulate its work and structure; and thoroughly investigated and controlled the functioning of the company. Thus the British government keeping itself behind the scene handled the whole work of the government and administration in India through the East India Company till 1857.

During the transitional stage from trade to tiara the administration inflicted grievous harm upon the population. Corruption, nepotism and gross exploitation by the East India Company's servant were common practice. The famous concept of "Nabob" originated during the second half of the eighteenth century. A "Nabob" was a person who, very early in his life, went to India as a company servant and within a decade or two returned to England with fabulous amounts of money by which he could lead a life of luxury or buy seats in the parliament.

---

\* Research Fellow, National Institute of Historical and Cultural Research, Centre of Excellence, Quaid-i-Azam University, Islamabad.

This state of affairs created a huge social and political uproar in England and the company under the constant threat of dissolution was constrained to reform its administrative services. Corruption was stopped, salaries were increased, training and educational institutions were established to mould the outlook and character of the administrators. The results were so beneficent that the last fifty seven years (1800-1857), when reforms were introduced, were came to be regarded as the Augustan Age of the British administration. The crop of freebooters was changed into a contingent of incorruptible and benevolent administrators, whose dedication, love of people and spirit of service was exemplary.

For the first one hundred and fifty years (i.e., 1600-1750) the East India Company was merely a body of traders with no political power. It was concerned only to buy what India was prepared to sell in exchange for bullion or foreign commodities. The advent of these new traders naturally stimulated India's commerce and industry and directed exports into new and profitable channels.<sup>1</sup>

#### **Directors of the East India Company**

David Scott was the director of the Company from 1786 to 1802. He wanted to expand the East India Company. Initially he was a private trader in India. He advocated the ship-building project for the company itself and opening of the company's trade to private firms in London. He encouraged the sale of British manufactures in India. It was none of his concern, however, to see what benefit India would get out of this sort of trading activities.

David Scott was succeeded by Sir Francis Baring, who continued his predecessor's policies. Besides being the director and chairman of East India Company, he was also the head of a great London banking firm. As a business magnate he gave loans to European states, was deeply involved in American trade, and universal interest in many other mercantile activities, like smuggling and trade in the Napoleonic empire, American land speculation, and perhaps least of all, private trade and banking in India.

---

1 Percival Griffiths, *The British Impact on India* (London: Macdonald, 1952), p.361.

Barring through his American interests, was inspired to urge a project of allowing American shipping trade, both direct and circuitous, to India. He argued that American trade would be advantageous both to British national interests and to the empire in India. The Americans, he suggested, would not found settlements in India like other European powers had done nor would they interfere with Britain's "great political interests" in India. They would bring goods from India to European markets and thus keep alive the whole of British trade from India at a time when the French had officially closed off the continental shipping.<sup>2</sup>

### **The Company and the State**

During the first half of the eighteenth century, the East India Company was a trading corporation with a steady annual dividend of 8-10 per cent, offering its servants prospects of a modest fortune through private trade, along with great hazards to health and life. It was directed in London by 24 directors — elected annually by the shareholding body, the Court of Proprietors — who worked through a series of committee.

In India, the company suffered a serious setback when it resolved, under Sir Josiah Child's inspiration, to resort to armed trade and attack the Mughals. The Emperor Aurangzeb was too strong, however, and the venture (1680-90) ended in disaster. Out of this fiasco, however, came the foundation of Calcutta by Job Charnock in 1690 — a mud flat that had the advantage of a deep anchorage — and the age of fortified factories surrounded by satellite towns. These were the answers, with Mughal consent, to increase Indian insecurity. The Madras factory was already fortified, and Lt. William in Calcutta followed in 1696. The company thus had, with independent Bombay, three centres of Indian power.<sup>3</sup>

### **British Exploitation in India**

In 1717, the English company had received a *firman* from the Mughal emperor Jahangir by which it obtained freedom of trade for its goods for export and import and the right of issuing *dastaks*

---

2 P.J. Marshall, *Problems of Empire, Britain and India 1757-1813* (London: George Allen and Unwin, 1968), p.97.

3 *Britannica* (Macropaedia), Vol.21, (Chicago: University of Chicago, 1989), p.79.

or passes for such goods. This had a serious effect on the government finances, for in those days, as in many other countries, the transit of goods by roads and navigable rivers was subject to inland duties in India. But now the goods which the company imported from Europe and those which they purchased in India for export were permitted to pass through the country without payment of duties. A *dastak* signed by the English President for any settlement of the company or by the chiefs of English factories was shown at the toll-house, and protected the company's merchandise from all duties.<sup>4</sup> This ruined the Government treasury especially of Bengal, as they were deprived of toll collected through inland trade of commodities. All the *Nawabs* after 1717 therefore felt very strongly against it. In 1756 Siraj-ud-Daula who had recently become the *Nawab* after the death of his grandfather, Alivardi Khan, decided to reduce the power of the English to the extent of driving them out of Bengal. He wanted them to come to their original position i.e., of traders.<sup>5</sup>

Siraj-ud-Daula had the war with British in 1757, in which Mir Jafar played a treacherous role. Siraj-ud-Daula was killed by Miran, the son of Mir Jafar. Eventually Mir Jafar ascended the throne of Bengal and became the puppet *Nawab* of the British. Having thus ascended the throne Mir Jafar signed a treaty with the company by which the latter received undisputed right to trade in Bengal, Bihar and Orissa. This meant virtually the whole of Eastern India. The company also received a *zamindari* of the right to revenue-farming over a large tract of farming land south of Calcutta, which is still known as district of 24 Parganas. Furthermore, the puppet *Nawab* assured the company that he "will not erect any new fortification, below Hugli, near the river Ganges", and that when demanded "the English assistance" he would be "at the charge of the maintenance of them"; and, in addition to such promises, he paid a total sum of Rs.17,700,000 for the redress of the company, for the maintenance of its forces, and for the redress of the English, Armenians, Hindus and Muslim inhabitants of Calcutta, with the understanding that the

---

4 Ramkrishna Mukherjee, *The Rise and Fall of the East India Company* (London: Monthly Review Press, 1974), p.257.

5 *Ibid.*, p.258.

money was “to be disposed by them (that is, Clive and other company officers) to whom they think proper”.<sup>6</sup>

In latter years, however, Mir Jafar resented British dominance over him. He got engaged in ineffectual manoeuvres against this dominance, and even made contacts with other Europeans. This gave company a pretext to remove him accusing him of disloyalty and replacing him as *Nawab* by his son-in-law, Mir Qasim.<sup>7</sup>

Mir Jafar earlier with the help of *Nawab* of Oudh had revolted against British at Buxar in 1765. However they were defeated. Under treaty that followed the war the *Nawab* of Oudh became a dependent of the company. The British maintained a good alliance with Oudh as it was bordering eastern India; it was to serve the British as a bulwark against the invasion of the Marathas or of the Afghans.

The Emperor of Delhi also now fell into the hands of the British. The feeble descendent of the Great Mughals was now a homeless wanderer, but was still recognized as the titular sovereign of India. All the kings and chiefs in the vast Subcontinent still owed nominal allegiance to this Mughal Descendent and pretended to derive power from him. British too in pretence to this custom obtained from the emperor a charter, making the company the Dewan or administrator of the Subah of Bengal. Thus the British obtained a legal status, and also formally took upon themselves the responsibility of administering the province which they had conquered eight years before.<sup>8</sup>

It was Lord Clive who in 1765, secured the *Diwani* of Bihar, Bengal and Orissa from the Mughal Emperor Shah Alam, now virtually a prisoner of the company.<sup>9</sup> The first use which the company made of the power acquired under it was to prohibit the manufacture of silk goods by weavers except those who would work in the company’s own factories. The prohibition was enforced under such severe penalties that within a certain number

---

6 *Ibid.*, p.268.

7 P.J. Marshall, *The New Cambridge History of India, Bengal, The British Bridgehead, Eastern India, 1740-1828*, (Bombay: Orient Longman, 1987), pp.84-5.

8 Ramkrishna Mukherjee, p.269.

9 Sayid Ghulam Mustafa, *The British in the Subcontinent* (Lahore: 1964), p.26.

of years the manufacture of silk declined, and the very people, who had exported those goods to the markets of Europe and Asia in previous years began to import them. A Muslim historian, while praising the military courage of the English of those days, remarks: "but the people under their domain groan everywhere and are reduced to poverty. Thirty millions of people were reduced, to extreme wretchedness under the company's rule. The people had been accustomed to live under tyranny but never tyranny like this". The result was that when famine broke out in 1770 "the Hoogly every day rolled down thousands of corpses. In 1773, Clive was charged by the House of Commons with having abused his power to enrich himself. He was acquitted but he felt the sting so deeply that he committed suicide in 1774.<sup>10</sup>

### **Tussle of Foreign Companies in India**

The policy of the Dutch in the East was much more commercial. They believed in colonization and settlement; and they had a strong tendency to establish monopoly in trade. The English learnt these lessons from the Dutch and advanced on territorial expansions. England and France came in the field more or less at the same time; and the circumstances suggested that any one among them would never be able to carry on peaceful trade without the elimination of the other. It was also certain that the French who never learnt lessons from history must go under, and England should carry on undisputed activities in the country's trade. The elimination of France made it possible for it to stand successfully against the Napoleonic empire.

The French were more brilliant and glamorous than sustained and steadfast. Dr. Fryer's impression of a French factory was "better stored with Monsieurs than cash; they live well, borrow money and make show." They had no definite policy to pursue and their entire work remained a monument of the policy of fits and starts. Dupleix's was in an unfortunate position with incompetent subordinates, jealous colleagues, ignorant and suspicious superiors who withheld resources and rewarded failure with disgrace. He was no match against Clive and Lawrence who had all the support

---

10 P.T. Chandra, *Indian Cyclopaedia: A Statistical and Historical Handbook*, 2<sup>nd</sup> edition, (Hyderabad (Sind): 1928), p.25.

of their countrymen in the country and in England, and they had the grateful country behind them not only to recognize their services but adequately reward them. Between 1746-1763 there was an almost constant conflict between the French and the English; and prognosticating from activities in the two camps the successful emergence of the latter was a foregone conclusion. Even in officious interference in indigenous affairs, though the French came in first, yet the permutations and combinations were more judiciously and cleverly manipulated by the English. The factors which gave final victory to England over France were leadership, finance, government and sea-power.<sup>11</sup>

### **Local Resistance against the British**

The British were not welcomed in India. They had to face resistance against their onslaught in India by local population. They through their exploitation and their ever successful policy of divide and rule established their hegemony in India. They were no doubt superior in arms as compared to local warriors which gave them an edge over the natives.

In the Anglo-Mysore Wars, the British finally defeated Haider Ali and Tipu Sultan, though these wars continued from 1780 to 1799.

Then the Anglo-Maratha Wars were fought from 1765-1817 and as a result of these Malwa, Narmada Tonk, Sitabaldi and Mehidur came under British imperialism.

The British played their moves as in the game of chess, followed successively one after another. Their next move was to extend their paramountcy over Rajputana and Central India. Thus the close of the eighteenth century and the beginning of the nineteenth century saw the fall of those Indian powers which arose revived on the decline of the Mughal power and contended for political supremacy or local sovereignty. Simultaneously, the English Company became the paramount power over a dominion extending from the Himalayas to Cape Comorin and from the Sutlej to the Brahmaputra.

---

11 Sayid Ghulam Mustafa, pp.32-33.

For the complete possession of India and fortification of her frontiers their remained only the Sikhs in the Punjab, the Sindhis, the Pathans and Baloch tribes in the north-west, the Afghans beyond the Khyber Pass and the Burmese and the Assamese to the east of the Brahmaputra.

In course of time all these territories were brought under control and “friendly” ties were established with the Afghans. By the first Anglo-Burmese War of 1824-26 Assam, Chachar and Maripur became practically the protectorates of the company; Sind was conquered in 1843; the Punjab was annexed as the result of Anglo-Sikh Wars lasting over 1848-52 and the English extended their dominion over Burma in the later wars during the second half of the nineteenth century. The company thus became the unchallenged master of India.<sup>12</sup>

Until 1856 the British annexed a number of small states on the pretext that they failed to pay regularly the stipulated sum to the company for being a party to the scheme of “subsidiary alliance” and therefore maintaining the British contingent forced on their territory to guard the interests of the British.<sup>13</sup>

As the British intruders had made up their mind to hold on to India, there remained no alternative but to break the power of the native princes by force or by intrigue. The native princes were forced to borrow enormous sums from the Englishmen at a usurious interest. When their embarrassment had reached the highest pitch, the creditors got inexorable, ‘the screw was turned and the princes were compelled either to concede their territories amicably to the company, or to begin war; to become pensioner on their usurpers in one case or to be deposed as traitors in the other.

All the native states had to pay tribute either in hard cash, or in a contingent of armed forces commanded by British officers. The final absorption or annexation of these native states was eagerly controverted between the reformers who denounced it as a crime and the men of business who excused it as a necessity. The native

---

12 P.T. Chandra (ed.), *Indian Cyclopaedia*, pp.276-77.

13 *Ibid.*, p.278.



states virtually ceased to exist as independent states from the moment they became subsidiary to or protected by the company.<sup>14</sup>

The eighteenth century was also marked by the Sunnysasi Revolt of Bengal (1760-74), which took the character of armed united resistance of the artisans and peasants under the leadership of social-religious sect. The people fought with country-made firearms and even field-pieces and caused a good deal of panic and anxiety to the company. Then, in the first half of the nineteenth century, there were a series of revolts, such as the Bareilly rising of 1816; the Kol revolt of 1831-32 in Bihar; several uprisings in Chota Nagpur and Palamau; the revolt of the Bengal peasantry under the leadership of Titu Mir and Didu Mir in 1831 and 1847, respectively; peasant uprising in Mysore in 1830-31; the uprising of the Moplah in South India after 1836; the Santhal Insurrection of 1855-56; and others.

These risings testify to the general ferment in the British empire in India, the last and the most severe being the Mutiny of 1857-59, which shook its mighty fabric to its foundation.

All these revolts were ruthlessly suppressed by the company with inhuman terror and oppression, of which inadequate information are available in government documents and historical literatures. And the company could so smash the people's opposition to its rule of pillage and destruction because of possessing superior arms and active help it received from its faithful allies — the "Native Rulers", and the landlords created by it, especially in Bengal, Bihar and Orissa by the Permanent Land Settlement of 1793. However, the people's anger at colonial bondage, and the consequent ruthless exploitation of their labour and the country's wealth, flared up again and again throughout the nineteenth century and the early years of the twentieth. By the second decade of the twentieth century it emerged as the mighty all-India Movement for freedom — to which the British power had to succumb finally.<sup>15</sup>

---

14 Ramkrishna Mukherjee, *The Rise and Fall of the East India Company*, p.280.

15 *Ibid.*, pp.282-84.

### **Liquidation of Indian Business**

The British as rulers devitalized India during their hegemony over a hundred years in all, and led the people towards destitution. The English mercantile bourgeoisie with their moorings on the decadent feudal structure of their own society thrived on subjugated India, and the Indian society underwent a course of retrogression under the company's rule with the forced 'destruction' of its progressive forces and the disintegration of its economy.

The European mercantile bourgeoisie never drew a sharp margin between trade and plunder; the original Merchant Adventurers of England often combined trade with piracy. Now, whatever margin there had been between trade and plunder began to grow conspicuously thin. The merchants were now rulers.

The policy of the company was established to extract from the Indian producers as much as possible, and to give them in return virtually nothing or so meagre a remuneration that they ultimately became unable to maintain ever the reproductive rate of economy. This decision of the company, pursued with unwavering resolution, was first put into practice in Bengal after 1757, and in the course of time it spread all over India with the subjugation of her territory, directly or indirectly, by the company.<sup>16</sup>

### **Weavers' Slavery by the Company**

The weavers were affected by the East India company's policy to export cotton and silk goods from India, which no western looms could rival, and were then the main item of the company's trade. So, orders were sent out to force Indian artisans to work in the company's factories. On frequent occasions the artisans were not allowed to leave the "factory", until they had fulfilled the commitment they were obliged to undertake by intimidation and oppression. Also, the commercial Residents of the company were legally vested with extensive powers over villages and communities of Indian weavers to make them work for the company irrespective of what they received in return. In many places it became a general rule that the artisans could not

---

16 *Ibid.*, pp.299-301.

undertake work for anyone other than the company. In short, the artisans were turned into bond slaves of the company.

The above account refers particularly to the province of Bengal where victory intoxication was probably most severe. The puppet Nawab of Bengal complained to the Company's Governor in Calcutta in a Memorandum, dated May 1762: "They forcibly take away the goods and commodities of the Reiat [peasants], merchant, etc., for a fourth part of their value; and by ways of violence and oppressions they oblige the Reiat, etc., to give five rupees for goods which are worth but one rupee." Thus, the ever-present desire of the merchant bourgeoisie — to buy cheap and sell dear — attained consummation when the company became the master of Bengal. And this motto was established with full vigour whenever a new patch of territory came under the company's rule and from wherever it could obtain its exportable goods.<sup>17</sup>

### Liquidation of Traders

Along with thus turning the Indian artisans "out of this 'temporal' world; proceeded the liquidation of the Indian merchants. Monopolizing Indian products for the British meant that the Indian merchants could no longer survive. Only those could maintain their profession who acquiesced in becoming the underlings of the company or of its servants engaged in private inland trade in India or of the private English merchants residing in India for the same purpose. Otherwise, they had to find a new source of livelihood. Not only were the Indian merchants prohibited from buying commodities directly from the producers which were monopolized by the English, but the agents of the company forced such goods on the Indian merchants at a price higher than the prevailing one. Moreover, the Indian merchants were made to pay custom duties for inland trade to the company and the British merchants were exempted from it.

As the company was the *de facto* ruler of Bengal, its servants began to abuse the terms of trade on even bigger scale. Openly as private traders they claimed exemptions from duties, to which as laid down in the Treaty only the company was entitled, and "began

---

17 *Ibid.*, p.301-04.

to trade in the articles which were before prohibited. This meant a marked depletion of the treasury of Bengal.

The Nawab of Bengal Mir Qasim began to protest against this unjust curtailment of income to his treasury. In short, the country traders were ruined, the Nawab's revenue declined, the servants of the company monopolized the trade and reared colossal fortune.

Presenting a strong remonstrance against the oppression of the company's servants in a letter to the English Governor, dated 26<sup>th</sup> March, 1762, Mir Qasim wrote: "From the factory of Calcutta to Cossim Bazar, Patna, and Dacca all the English chiefs, with their *Gomastahs*, officers and agents, in every district of the government, act as Collectors, Renters, *Zamindars* and *Taalookdars* [estate-holders] and setting up the company's colours, allow no power to my officers. And besides this, the *Gomashtas* and other servants in every district, in every *Gunge* [a market town] *perganah* [part of a district] and village, carry on a trade in oil, fish, straw, bamboos, rice, paddy, betel nut, and other things; and every man with a company's *dustuck* in his hand regards himself as not less than the company."

The complaints of Mir Qasim were just but Clive was no better than other servants of the company in exhorting presents from the Nawab of Bengal and he himself was interested in inland trade. Thus the company paid no attention to Mir Qasim complaints.

In these circumstances, no wonder then that Bengal — once the Granary of the East — became empty; hunger and famine, death and disease stalked the country. And the worst calamity in this situation was that virtually the whole of the revenue of the Subah was drained out of the country, and did not, in any shape, return to the people in order to fructify their trade, their industries and their agriculture.<sup>18</sup>

### **Company Exports from India**

The East India Company in Bengal was interested in export of cotton and saltpetre to European markets. From the seventeenth

---

18 *Ibid.*, pp.359-61.

century very large quantities of saltpetre, an essential raw material for gunpowder, was exported from Bihar.

The East India Company was also exporting silk, opium, indigo and salt to European and Chinese markets. They used coercive powers and peasants were forced to produce the amount that was required by them for the market and paid very low emolument to native workers. The weavers of cloth received less than the cost of their material.

### **Punjab 1849**

The Annexation of Punjab in 1849 took place during the governor-generalship of Dalhousie (1848-56). Two great wars were waged during his reign, the second Sikh War and second Burmese War. Both were followed by the annexation of large and rich provinces, the Punjab and Pegu (lower Burma). These annexations added to the homogeneity as well as the extent of the Empire. The first brought it to its natural frontier on the north-west, the mountains of Afghanistan; the second completed its control over the eastern shore of the Bay of Bengal by uniting the two disjoined provinces of Arakan and Tenasserim, annexed in 1852.<sup>19</sup>

### **Dalhousie's Administration in Punjab**

Dalhousie was the originator of the Indian railway system, which he planned with wonderful foresight and of the marvellous work of irrigation, which is perhaps the greatest material boon that British power gave to India, and of the telegraph system, and of cheap postage, and of scientific forestry. No aspect of Indian industry or commerce failed of his enlightened encouragement and support. Under his guidance education made giant strides, and he was the initiator of the Indian universities. He banned Sati and Thagi — human sacrifice and dacoity. He wore himself out in the service of India; and returned to his own country only to die in 1860.<sup>20</sup>

---

19 Ramsay Muir, *The Making of British India 1756-1858* (London: Oxford University Press, 1923), pp.337-38.

20 Ramsay Muir, *op.cit.*, pp.342-43.

## Sind

The Amirs of Sind who had come to power in the late eighteenth century had kept the country in poverty and stagnation. A treaty in 1832 threw the Indus open to commerce except for the passage of armed vessels or military stores; at the same time the integrity of Sind was recognized. Thus Auckland's march through Sind was a clear violation of a treaty signed only seven years before. Sore feelings at the turn of events in Afghanistan produced a final breach. On a charge of unfriendly feelings by the *amirs* during the Afghan War, Karachi, occupied in 1839, was retained. Further demands were then made; the moderate resident James Outram was superseded by the militant general Sir Charles James Napier; and resistance was provoked, to be crushed at Miani on 17<sup>th</sup> February 1843. Sind was then annexed to the Bombay Presidency.<sup>21</sup>

On the 12<sup>th</sup> of March Sind was annexed to the British Empire under an order from the Governor General, Lord Ellenborough. On the 24<sup>th</sup> March, the battle of Haiderabad was fought, and Sher Muhammad defeated. He was pursued into Thar, and on the 4<sup>th</sup> April Umarmkot was taken. On the 8<sup>th</sup> Sir Charles returned to Haiderabad. On the 13<sup>th</sup> he issued another proclamation, ordering the people of Sind to pay the British Government the "produce of the country" which they formerly paid to the Amirs; and on the 17<sup>th</sup> under orders from the Governor General, he abolished duties on goods imported into Sind.

After establishing their hegemony in Sind, the British extorted their profit as conquerors; the prize money was distributed to officers for this deed; the Agent Sir Charles Napier's share being about seven lakhs of rupees.<sup>22</sup>

## Conclusion

The British came to India as traders. They constructed their fortresses at Madras, Bombay and Calcutta and fortified themselves with arms and ammunition. They observed the Indian political scenario of that time intently and muddled with it to the

---

21 *The New Encyclopaedia Britannica (Macropaedia)*, Vol.9, p.404.

22 In Jawaharlal Nehru, *Glimpses of World History* (Bombay: Asia Publishing House, 1967), p.425.

extent of shame and abuse. From 1757 to 1858 they shamelessly extorted levies in Bengal from poor people, who were living from hand to mouth, followed oppressive policies towards farmers and peasants, destroyed local industry of silk, cotton and muslin and forced weavers to work only for the British interests and in return gave them meagre remuneration.

Due to their superiority in arms and ammunition, discipline, spirit of adventure against all odds and their treacherous policies they overthrew Haider Ali and Tipu Sultan of Mysore, Alivardi Khan of Bengal and later Mir Jafar. They through their intrigues were able to defeat Marathas at Poona. Soon they became the masters of India.