

The East India Company: The Rise And Fall Of A Privatized Empire Administering Asia

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Abstract

A monistic trading company called The East India Company influenced her stretch from Western India to Eastern China via the farthest reaches of the Indonesian archipelago. It had a fleet of a hundred and thirty two hundred ton ships, commanded an army of almost two hundred thousand troops, and came to dominate the Indian subcontinent. It funded governments, toppled princes, and generated spectacular amounts of money from trading in textiles and drugs and spices. However, it was not an empire. It was not even a state. It was a trading company; the East India Company, founded in 1600, lasted for two hundred and fifty-eight years before the British State gained full control of its activities in that she drew on the map of India, provoked an empire into existence, and reinvented the fashions and foodstuffs of Britain. Queen Elizabeth established the East India Company vis-a-vis a Royal Charter on the last day of 1600. The East India Company was a joint-stock company which meant that different merchants pooled their resources. They shared the risks, they shared the potential profits, and they did so because this was a dangerous trade, and the company initially had set out looking not at India but at the East Indies by which it meant what is now called Indonesia. Mainly they were interested in spices because there was much profit in spices because we need spices to tart up food that's gone rotten, we need it to hide unpleasant smells, and that was what they wanted. Gradually they moved to the Indian Peninsula, attracted there by the lure of their superb textiles. It was not something that the state could subsidize it by itself. So it did not have the money, and ergo, it depended on its merchants. The English crown did not tend to take a leading role for it as England privatized overseas commerce, and therefore, it relied on the merchants to do this business. We should remember that England was quite small at that time, not just geographically but small vis-a-vis European power stakes—the big empires at that time were the great Islamic empires, the Spanish empires, and the Dutch were becoming increasingly powerful. The English were starting from behind: they had no notion

about when they should begin to grow this company, what it was going to result in, and why did they need a Royal Charter.

Keywords: *East India Company, China, the Indonesian archipelago, joint-stock company, Royal Charter, Indian Peninsula*

Unexpectedly various companies were competing for the title of The East India Company in the 17th century, but it was not clear why until 1700. Nobody in their wildest imagination envisioned that this company was going to be staying together. So it was a very unpredictable story like the rise of the British Empire. It was a perilous journey to take from Britain to what we now call Indonesia. We could take anything from 12 to 18 months. There were perils at sea, there were perils from competitors or perils from pirates and yet they wanted to go for it because spices were potentially a very profitable product because they were small in volume but high in value and they were much in demand in Europe and a cargo that could hold full of spices, would generate enormous profits. They were bringing spices to the taste and the palate of Europeans. Spices had been finding their way into Western Europe before the previous three or four hundred years by the overland route, and therefore it was not so much that Europeans were unfamiliar with these items. It was that they could not secure large reliable quantities of them, and consequently, it became logical that the sea route to the Indies was opened up in the 1490s first of all by the Portuguese. Historian Linda Colley in **Captives: Britain, Empire and the World 1600-1850** talked about a joint-stock nature of The East Company; the organization wasn't a whole host of companies that had come into being in England at this time and indeed across Europe, giant trade-companies like The Muscovy Company or The Levant Company were on the escarpment of world business. The notion of developing larger corporate organizations where we had the pooling of resources was not unknown, and of course The East India Company arrived at the end of that process and therefore picked up a lot of the organizational and financial forms of abovementioned existing companies. The difference here, however, is something that we have alluded to already; the length of time it took to procure spices. For example, if we were to sail out to the East Indies, it took 12 to 18 months. Of course, we had to procure the cargo and return home, which logically meant that there was often a three or four-year lag between the time the ship

sailed out, and it reverted to the place where sun never sets. Therefore this required a very high level of capital flow from the Empire but the investors did not get an immediate return on the funding of the company and therefore what we found is this pooling of resources because this was a trade that required quite a significant infrastructure as the ships were expensive and so was the trading force that developed and therefore it's really a case of I suppose bringing together resources not just from England but from all over Europe. If we look down on the list of the working-merchants, many of them were already involved with The Levant Company to a considerable degree. They were the aldermen of the city of London, well-connected with commercial courts, and thus, employed their experience to translate their expertise into the Asian trade. Professor Bankey Bihari Misra in **The Central Administration of the East India Company, 1773-1834**, enunciated that the most distinctive development that is worth stressing is how these overseas companies separated the ownership of the company from the management of it. In other words, stockholders provided resources, but they enabled and allowed directors of the company to manage the trade in a recognizably modern form as their organizational patterns are very familiar to us to this day, as in the case of the functioning of several multinational companies like Apple or TATA. Regarding business digression of The East India Company, we think they thought they were going to find many spices in India, but they did not. They found pepper in the South, which the Portuguese had already started trading before the Brits. We suppose the huge thing that they found in India was the trade in it is cotton and silk textiles of which India was superfluously rich. It was only in Bengal that was producing surplus cotton at that time than any other Indian states, and the production of salt-peter, subsequently, also became involved in The East India Company as it is also a constituent of gunpowder. Another item that became quite important was indigo which is a dye, and also they began to branch off into little kind of individual-transactions: they used Indian writers as a cross between a merchant and a bureaucrat, and these Indian writers were employed by the company to go out and actually organize the trade for the colonizers, and to establish relationships with Indian middlemen to keep invoices. These writers would sometime also get into or were allowed to get into a certain amount of private trade and hence, they could also make much money. What was interesting about The East India Company was that there was an absolute demand for silver coins as modes of transaction in India, and Britain only transacted through paper money and perceived metals for its face value. Ergo, the only way English could perpetuate

its trade with India was by exporting silver to India, and at that time, under mercantilist economic theory, that was regarded as a net loss to the British economy. Thus, the Indian states they were dealing with weren't very stable and also because they were competing by the mid 18th century, particularly with the French, The East India Company had actually started to acquire military force to reimburse the price of Indian commerce and started proselytizing and converting Indians to Christianity with the promise that the British would give special privileges to the proselytized Indians but, in reality, they didn't give them any special privileges at all. In the 16th and 17th centuries, the British were not a big deal in India, and the Mughal Empire was a strong and serious state, and it was able to call the shots. So what these companies did want was exemption from taxes. But the problem with it was that India had lots of internal customs barriers as it didn't really operate as an integrated economy and what the East India Company along with these other European companies wanted was exemption from these internal taxes and so they went to the Mughals or they went to rule the Indians as they tried to get away with tax exemption. The English paid only 350 pounds down on the table in return for which the Moghul Empire would exempt them from all in internal customs duties, and this is how the British got some idea on how they should establish themselves in India. The prospect of the British moving into the interior of Indian Peninsula with the shield of the Mughal Empire engendered military grasp at every part of India. As a tree takes a long time to develop, we must conclude that in order to get more wealth out of India, English business in India was conducted with Asian merchants often in partnership because they had the language, the expertise, and the skills and of all the capital which was very necessary for the company often to pump money into the vault of Her Majesty. Nevertheless, the early stage of development of the company was very much like the age of partnership, and we see the company acting step by step with Indian agents and intermediaries. Unquestionably, it was certainly the case that India lost its role as the market leader in exporting textiles by the 1820s and 1830s and could not compete with cheap Lancashire Goods, but on the other hand, we would not say that the Indian textile industry completely disappeared. There were large inland industries in India, and also by the 1860s and 1870s, Indian industrialists started to set up factories in Bombay and later in the other parts of India because of the stringent imbuelement of the *Swadeshi* movement, and they thought to manufacture cheap cotton goods as well. Preeti Chopra in **A Joint Enterprise: Indian Elites and the Making of British Bombay**, says that the handloom industry which

had been producing very high-quality export goods by the 1830s and 1840s, started to dwindle because there still were textiles from Sheffield and Lancashire, and more than half of its commodities carried by these itinerant salesmen, were actually manufactured in Britain. However, there had been some flurries of military activity as early as the 17th century as some of the emerging Indian regional rulers who eventually replaced the locals, they did not like the fact that the English companies had fortified settlements and they did not like the fact that the Brits had exemptions from Inland Revenue. There are occasional flurries of activity by Shivaji, and I think it destroyed the British fortifications around Bombay at one stage and the British had clashed with Bengal rulers in the early and mid 17th century and they'd been in two small battles over Calcutta, but I think anybody at that stage would have imagined that the Indians might have ended up taking over the state in Bengal. We've stressed since beginning that there isn't an imperial project, but it does happen that the East India Company's three great bases were built on the Indian Peninsula; Madras, Calcutta, and Bombay, a kind of magic triangle effect from which they could move on each side, and that is I think a potential advantage. Nevertheless, Britain and France were engaged in a hot war, and it got hotter and hotter from the end of the 17th century onwards, and by the 1740s and 1750s, British and French forces were skirmishing very much on the Coromandel Coast as they were trying to work out who could get the advantage. As most of Clive's men were not Brits but Indians, and indeed such white troops as he had many of them were not from Britain they were Swedes, Dutch, and French, but what that campaign taught the French that they could build up armies of Indian troops to fight for them and that's something that they hadn't really understood before they knew that they couldn't have enough white troops of their own because of the disease levels, the transport difficulties. After the French Revolution, which had an appreciable effect on England, it seems that Richard Wellesley, and then his brother, Arthur Wellesley, who became the Duke of Wellington, began to make territorial gains which were frankly Imperial. Warren Hastings, the great *Nabob* in India, who was impeached for employing too many Scots, and having had too much personal power, and personal fortune, which was ironic because he was amiable and understanding of Indian culture and Indian customs. British domestic attitudes to the Indian had always been a little ambivalent-I mean they were ambivalent about many of these luxury goods like tea, and porcelain. Wesley, the Methodist leader by the 1750s, was saying that tea-drinking was enervating the ordinary people of India and even porcelain. However, the British Empire built a very different Empire

in China because the Chinese economy in the 19th century was far advanced than what was happening with English economy. The Brits got tea from India and the only way they could really buy it was to grow and trade opium in India, but Chinese Empire kept Europeans at arm's length and kept them restricted to Canton, and so, there's no prospect whatsoever of an imperial adventure in China but as far as the East India Company was concerned, tea, of course, was the great commercial winner of the 18th century because it has an elastic demand it would expand greatly as indeed it did during the second half of the 18th century, and crucially it was seen as a means of returning home wealth from Asia. The key point again is something we refer to at the very beginning is that the English got very little to offer the Chinese in the 18th century as they did not want Englishwoolens or metals and what the company had to really hit upon was an alternative mechanism for funding the tea trade and what they began to do was invest heavily in textiles but also opium to fund the tea trade, and therefore England got the economic success in the form of triangular trade, i.e. from Britain to India, from India to China, and back. Therefore, we've seen that the East India Company started as a small trading company; we had seen it grow, we had seen great territorial advances it made, and we had seen the army as little as mentioned above, went up by the time of the Battle of Waterloo to a quarter of a million, and a private army of a private trading company between the Mughal Empire and the Indian rebels. However, how did the East India Company come to an end as a company, two hundred and fifty years old? Well, the ironic thing is that it continued as a governing agency long after it lost its commercial privileges and monopolies and therefore after it had lost its Charter in 1813, and the Charter to China in 1833, it continued as the governing agency, and we think that it is quite an extraordinary transformation. It was the ultimate sort of privatized empire administering India on Britain's behalf. The great seismic shock, of course, was the Indian uprising of 1857, which drew in elements from Indian society, and we think that is the wake-up call for the British Empire.

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