

**Mercantilism and English East India Company**  
**A study of Coromandel Coast (1670-1720)**

**Dissertation submitted to the Jawaharlal Nehru University in  
fulfillment of the requirement for the award of the degree of**

**MASTER OF PHILOSOPHY**

*Submitted By*  
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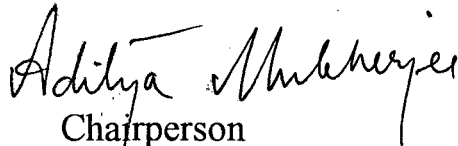
**Center for Historical Studies  
School of Social Sciences  
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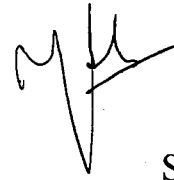
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This is to certify that this M.Phil Dissertation, submitted by Priyadarshika Srivastava, titled '*Mercantilism and English East India Company- A study of Coromandel Coast (1670's- 1720's)*', in partial fulfillment of the requirements for the award of degree of Master of Philosophy, Jawaharlal Nehru University, is an original work. No part of this work has been published, or submitted to any other university. We recommend that the dissertation be placed before the examiners for evaluation.



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This research work has taught me a lot in many ways. The intellectual challenges it posed and the time frame in which it was accomplished also happened to be the most crucial time of my life. I would therefore end this note with a tinge of optimism that '*Tough times never last but tough people do*'.

*New Delhi*  
*January, 2007.*

*Priyadarshika Srivastava*

## INTRODUCTION

In the proposed research an attempt would be made to study the concept of English Mercantilism in the context of the functioning of the East India Company in the Coromandel region from roughly mid seventeenth to early eighteenth century. The history of the period has been written many times. The justification for exploring it further is that research is continually modifying, even revolutionizing, our ideas about it. The processes of change and expansion that underpinned the Company's transformation from trader to sovereign in India have aroused varieties of opinions. However, in order to have an element of coherence and clarity, it becomes imperative to begin the discussion by spelling out certain points that would form the broad contours of the research and which consequently would be elaborated in the course of its progress.

- Firstly, the period under study is one predominated by mercantilist ideas and practices and therefore an attempt will be made here to explore the dynamics of mercantilist thought which found its way into the British Commercial Policy and its consequences on the functioning of the East India Company. It is imperative therefore to analyze the basic tenets of 'mercantilism' that held its sway in Europe. Several questions run through the discussion *a} Was there a 'mercantilism' usefully defined and well circumscribed? b} Are there clearly discernible, more functional sub-divisions under the general rubric? c} Can we, for the era in question, not only describe but assess "policy" apart from "theory"? d} In assessing both policy and theory, to what proper extent can we winnow justifying support for those early practitioners and pamphleteers from the unique circumstances of their time?*
- Secondly, an attempt would be made to analyse the new sets of relationships produced among the traditional Indian power structures due to the interpenetration of mercantilism in the East India trade. One of the prime objectives of the research would be to emphasise on the ideas of mercantilist state building that were implicit in the transformation of the East India Company. In other words,

how the Company was coming to terms with the local needs, while sustaining behind the larger motives of profit and power. In attempting to elucidate the conflicts between, the intention and accomplishment, within which lay the internal contradictions of commerce with India, it is hoped that the fundamental reasons which later triggered the transition of the East India Company from a commercial to military power can be clarified.

Thirdly, an essential facet of the argument that will be elucidated is the necessity and motives of fortifications done by the Company. By the late 1680's, fortifications in the East had come to be regarded as the essential instruments by which 'our servants, shipping, and estate could be secured.'<sup>1</sup> Outlays for military establishments were greatly enlarged and the foundations for transformation of the Company into a territorial power in the East had thus been laid. The East India Company was perceived as the lynchpin in a sinister 'military-mercantile complex'. The query here would be that: *Was it a logical outcome of the mercantilist idea of ousting the rivals?* This will be done by placing the debate in regional contexts, through the study of Fort St. George on the Coromandel Coast. The other issue, which was a logical outcome of the former, was the question of finances to maintain the settlements and fortification. An attempt would be simultaneously be made to show how this was intricably linked with the structure and form that the Company took, 'Joint stock' or 'regulated'.

Coromandel had developed a distinct identity over several centuries through its social and political organization, its products and trade structure. For one thing, the political weakness, which developed elsewhere at a certain time in the eighteenth century, was present in Coromandel from about a hundred years before that. There was little in this area, which could be called centralized political control either under the Muslim state of Golconda or the remnants of the once powerful Hindu empire of Vijaynagar. Thus the omnipresent political pressure was a reality the merchants of Coromandel had to live with for a much longer period than their fellows elsewhere in the country. Possibly following

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Child, Dispatch of April 1688 (as quoted by Shafat Ahmad Khan, East India Trade, p.205)

from this, European settlements acquired an importance in this coast in the seventeenth century, which they did not attain elsewhere before entering well into the 18<sup>th</sup>. *The best example of this would be the English settlement of Madras which, founded in 1640, was a flourishing port by the end of the century.* This prosperity was steadily maintained, and in the 1740's, Ananda Ranga Pillai, the diarist of Pondicherry, described it as the 'city of Kuvera', the god of wealth, and noted: 'It is not like other towns, where you may find ten rich men and all the rest beggars.'<sup>2</sup> The mass of evidence provided by the factory records, writes Professor Raychaudhari, 'proves beyond doubt that in the latter part of the seventeenth century the trade of the Coromandel merchants had become one of the major facts in Asian commerce.'<sup>3</sup>

Following the issues stated earlier, the research would be roughly divided into three chapters. The first one would deal with the "English Mercantilism: Praxis and Construct". In this chapter an attempt would be made to incorporate basic tenets of mercantilism and the general debates centered on the concept, this would be done in an open schema, the links to which will be drawn in the following chapters. The second chapter would largely focus on the "*English Company and Mercantilism in Practice-The administrative infrastructure at the Coromandel Coast and Planning of Fort St.George*". This would encompass a wide variety of issues beginning from the motives behind the planning of the port city of Madras to the various measures taken by the English East India Company to accommodate to the Indian setting along with accompanying innovative institutional practices.<sup>4</sup> Streyntsham Master (who succeeded William Langhorn, as the Governor of Fort St. George in 1677), made various attempts to firmly entrench company's stronghold in the region. Some examples being, reorganizing the Choultry Court, strengthening the Court of Judicature, and other measures intended at disciplining the company officials. The emergence of Madras as the pivot of the Anglo-Indian business system involved a strong degree of Commercial participation and support provided by the indigenous

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<sup>2</sup> Diaries of Ananda Ranga Pillai, Vol.IV, p.64-5

<sup>3</sup> Tapan Ray Chaudhary, Jan Company in Coromandel, p.128

<sup>4</sup> A thorough perusal of the Records of Fort St. George and the Despatches from Madras, throws light on the ways English mercantile practices were adopted and gradually accommodated in the local settings and what fears confounded by the unique circumstances made the company adopt certain practices which in a way led to the flowering of what is defined as mercantilism in Indian context.

merchants. To state a few, the establishment of mayor's court and other such bodies which gradually grappled with various law and order problems, including even the disputes between the right and left hand castes which emerged acutely in 1707 and 1717<sup>5</sup>. The crisis in textile industry caused both by the fast growing demand and rise in wages and cotton prices, once again made the English aware of the need to have some control over the weavers in order to have an assured supply of cloth. The above incidents will be further elaborated with the basic idea of tracing what factors contributed to the evolution of the company. Focus here being on the internal adjustments, which led to formation of something like a state within a state.

Here emerges another decisive factor which played a crucial role in the functioning of the English east India company viz 'the fortifications' This will form the theme of the third chapter. There is a wide diversity of opinion regarding the role of fortifications in the Company settlements. In general, historians have agreed that the use of force and the establishment of fortified settlements was essentially a defensive development, with no claims of sovereignty inherent in it.<sup>6</sup> This framework largely relies on the traditional premises for the use of force: conflicts between Europeans in Asia, the Portuguese crusade against Islam, European accounts of themselves as victims in their relationships with Asian rulers, the system of licenses for indigenous shipping imposed by the Europeans, and the failure of the ruling elites to comprehend the nature of European aspirations in the east. The other view is that *force was the logical outcome of such a relationship, because the basis of the relationship was mercantile in an age dominated by the precepts of mercantilism.*<sup>7</sup> Defence and offence are regarded as a symbiosis, which revealed either pacific or offensive attitudes in response to given or perceived threats, and/or situations where an advantage could be gained. Further as Watson's argues, by offering a sanctuary for Indians the fortified settlements altered the traditional relationship structure amongst them and the idea of 'extra territoriality' and the gains made through the collection of revenues played a crucial role in the expansionist

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<sup>5</sup> Despatches from Madras, dated yr 1707 and 1717

<sup>6</sup> For example, K.M.Panikkar, Asia and Western Dominance. 1498-1945 (London, 1959), p.52, 73; J.H.Parry, Trade and Dominion: The European Overseas Empires in the Eighteenth Century (London, 1971), p.65, 71,335

<sup>7</sup> R.Mukherjee, The Rise and Fall of the East India Company: A Sociological Appraisal (Berlin, 1955), p.71



ideology of the English. In the research to be undertaken an attempt will be made to contextualise the issue of fortification within the broader framework of mercantile interests. This will be done at two levels: one by analyzing the crucial interconnection between power and opulence in the mercantilist fervour and, two by exploring the dynamics behind the defensive needs and the precept of sovereignty inherent in the idea behind the development of fortified settlements. The third chapter would also deal with the structure of the east India as it evolved over the concerned period. The issue would be taken against the backdrop of the debates, which ensued, in the British parliament, the question of finances, which were a perpetual irritant in the period concerned. The considerable increase in the cost incurred over the maintenance of settlements was constantly debated upon and this was linked with the larger issue of the structure of East India Company's organization. As stated the *mercantilist ideas while retaining its motives took new garb with changing times*. The renewal of charters, the coming of rival merchant company, its unification and further changes in the structure of its organization were heavily debated in the parliament.

This research is an endeavour to reveal that it was the mercantilist idea of control over foreign trade, for the gains of one's own country, which guided the events and therefore the subsequent transformations. Extensive government regulations of international trade were entailed for profit and power. The strategic location of the Company's port cities and the fortifications that were done were largely to oust the commercial rivals and thereby to maximalise the profits. It will be clear from the subsequent description that the nucleus of Madras was planned by the British, and that its form was designed to meet its principal function of trade and commerce. The early plan of Madras exhibits both economic dominance of the colonists over the colonial city with the fort providing the visible center. The Company's structure was readapted and reoriented for the commercial gains and thus a complex yet strong foundation was laid which when coupled with the events that unfolded after the mid eighteenth century had to be maintained. It was for the maintenance of this elaborate commercial penetration and to sustain it further that the machinery of administration was subsequently developed, until it turned out to an imperialist stronghold.

Chapter I  
Mercantilism:  
Praxis and Construct

The term 'mercantilism' refers to the economic theories and strategic thinking which guided relationships between states in early modern Europe. It is defined in terms of both economic thought and commercial policy. Mercantilist economic thought held that gains from international trade arose solely from exporting and that the nature of these gains made international trade equivalent to a zero-sum game. Mercantilist commercial policy entailed extensive government regulation of international trade to ensure that these gains accrued to one's own country, a pursuit that even carried European states into military conflict with one another over commercial interests. The resulting regulation of trade, accumulation of bullion, and international power struggles to protect the interest of 'state making as national economy making' allegedly benefited only merchants and manufacturers; hence the term 'mercantilism'. This paper is intended to illustrate differing treatments of mercantilism. Special treatment is given to the work of Eli F. Heckscher and its influence. Equal emphasis has been given to mercantilism in action and mercantilist thinking as part of the history of economic analysis.

The phrase 'the mercantile system' first acquired significance at the hands of Adam Smith<sup>1</sup>. Adam Smith saw political economy as having two distinct objects: to provide revenue or subsistence for the people or to enable them to provide these for themselves, and to supply the state with revenue for the public services. There were two different systems by which these ends were achieved: the commercial or mercantile system and the system of agriculture<sup>2</sup>. When Adam Smith reviewed and reviled "the mercantile system," he dealt chiefly with its monetary attitude and its protectionist policy. He begins his

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<sup>1</sup> Adam Smith. *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776, ed. E. Cannan. Modern Library Edition (New York, 1937)

<sup>2</sup> *ibid.* Book IV. P.397

discussion with the assumption that wealth consisted in gold and silver and that for a country not possessing gold or silver mines, the favourable balance of trade was the only way of securing this wealth.<sup>3</sup> Therefore it became the object of political economy to encourage exports and discourage imports. And this was done following two means: two sorts of restrictions on imports- high duties and prohibition; and four sorts of encouragements for exports – bounties, drawbacks, treaties and colonies.<sup>4</sup> He analyses each of these measures in detail. According to Smith, high duties and prohibitions very commonly give monopoly to a particular home industry. They encourage the particular industry but neither increase the general industry nor give it the best direction. The number of persons employed cannot exceed a certain proportion to the capital of the society. Further restrictions on import directed people to employ capital in producing at home what they could buy cheaper from abroad.<sup>5</sup> Sometimes by such regulations a manufacture may be established earlier than it would otherwise have been but it would make the capital accumulation slower. It was for him, a system devised by merchants for ends mercantile, because it is the manufacturers and merchants who benefit the most by it.<sup>6</sup> He further embarks on the unreasonableness of these restraints even upon the principles of Commercial System, by taking as an example, the British restraints on imports from France. *“If the wines of France are better and cheaper than those of Portugal, or its linens than those of Germany, it would be more advantageous to purchase both the wine and the foreign linen which it had occasion for of France, than of Portugal and Germany.”*<sup>7</sup> As a follow up of this discussion he concedes that the whole balance of trade doctrine is absurd, and that prosperity and decay depend on balance of produce and consumption which is quite different from the balance of trade and may constantly be in favour of the nation when the balance of trade is against it.<sup>8</sup> His explanation about how the system originated and developed is quite unequivocal. It was the result of arguments *‘addressed by merchants to Parliaments and the Councils of*

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<sup>3</sup> ‘Money in common language frequently signifies wealth; and this ambiguity of expression has rendered this popular notion.... that all wealth consists in gold and silver.’ p.418

<sup>4</sup> *ibid.*, p.418-19

<sup>5</sup> *ibid.*, p.420-22

<sup>6</sup> ‘If the importation of foreign cattle, for example be made so free, so few could be exported, that the grazing trade of Great Britain could be little affected by it.’ *Ibid.* p.426

*ibid.*, p.441

<sup>8</sup> *ibid.*, p.456-465

*Princes, to nobles and country gentlemen...* And between the gentlemen who did not understand trade and tradesmen who did not grasp the nature of the national welfare, the attention of government has been diverted to misguided end. *'It is the industry that is carried for the benefit of the rich and powerful that is principally encouraged by our mercantile system. That which is carried on for the benefits of the poor and the indigent is too often either neglected or oppressed.'* Though exempting from his condemnation the Navigation Act of Charles II, on the grounds of political expediency, he criticized the apparatus of government action vigorously, in order to construct the theoretical structure of economic laissez faire.

When Gustav Schmoller wrote about 'The Mercantile System and Its Historical Significance'<sup>9</sup>, in 1884, the theme in his essay was the connection between economic life and the essential controlling organs of social and political life. Economic institutions were dependent on political bodies; individual economic action could not go in a political vacuum. He declared that its "*innermost kernel is nothing but state making... the total transformation of society and its organization, as well as of the state and the institutions, in the replacing of the local and territorial economic policy by that of the state.*"<sup>10</sup> However, he added that 'not state making in the narrow sense but state making and national economy making at the same time'<sup>11</sup>. The long wars of the seventeenth and eighteenth centuries, he writes '*have economic objectives as their main aim*'<sup>12</sup>. '...it was precisely those governments which understood how to put the might of their fleets and admiralties, the apparatus of customs laws and navigation laws, with rapidity and boldness and clear purpose at the service of the economic interests of the nation and state, which obtained thereby the lead in the struggle and riches and industrial prosperity'<sup>13</sup>. In this way they had given the economic life of their peoples a necessary basis of power and impulse to economic movement. Both the phrase 'mercantile system' and mercantilism are used interchangeably by Schmoller, but what had previously been regarded by the

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<sup>9</sup> Gustav Schmoller, Translated by W.J.Ashley (1910)

<sup>10</sup> Cited in Charles Wilson, 'Mercantilism: Some Vicissitudes of an Idea.' Economic History Review, New Series, Vol 10, No.2 (1957), p. 50-51

<sup>11</sup> *ibid.*, p.69

<sup>12</sup> *ibid.*, p.72

<sup>13</sup> *ibid.*, p.72

laissez faire economists as discreditable conspiracy of trade against the nation now assumes the aspect of a national campaign for prosperity and power, often brutal in execution but ingenious in conception and efficacious in method.

To Schmoller's English contemporary, William Cunningham, mercantilism was a "*system of power*", a *policy pursued "so that the power of England relatively to other nations might be promoted."* The distinction drawn by the German historical school of economists between theory and historical reality informs Cunningham's whole philosophy: *"...the very sphere we are about to study is conditioned by political circumstances which have extended or diminished the area over which the English Government and the English race have held sway at different times...History must trace out the conscious efforts...to develop the resources and expand the commerce of the realm: such deliberate endeavours were made through political institutions for political objects and affected our progress for good or evil."*<sup>14</sup>

These three writers thus examined four different aspects – money, protection, unification and power, Eli Heckscher<sup>15</sup> embraces all the four and adds a fifth, for through a welter of discussion and the smoke of controversy he is able to perceive the emergence of "a fairly uniform conception of a general social phenomenon in the field of economics" and a "mercantilist conception of society." To Heckscher, as to all other writers on the subject, mercantilism is not a compact, consistent 'ism'; rather it is "only an instrumental concept which, if aptly chosen, should enable us to understand a particular historical period more clearly than we otherwise might."<sup>16</sup> Its content is that "phase in the history of economic policy" which lies between the end of the Middle Ages and the dawn of the age of laissez faire. The chronological boundaries vary from country to country, but the sixteenth to eighteenth centuries see the policy in its heyday. During that period mercantilism was the normal approach to the "common European problem"<sup>17</sup> In whatever country it appeared, the policy showed a considerable degree of uniformity and coherence, at least enough to

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<sup>14</sup> William Cunningham, *The Growth of English Industry and Commerce*, 1882, 5<sup>th</sup> ed. I, p.22

<sup>15</sup> Eli. F. Heckscher, 'Mercantilism', translated by Mendel Shapiro (1931)

<sup>16</sup> *ibid*, I, p.19

<sup>17</sup> *ibid*, p.13

justify certain important generalizations with respect to the ends typical of mercantilism and the means by which achievement of those ends was sought.

In the first place, mercantilism was a system of economic policy designed to promote unification of the state. The first volume covers "*Mercantilism as a Unifying System*". Under this head the author discusses three major topics: internal trade and particularly the toll system<sup>18</sup>; the regulation of industry in France and England<sup>19</sup>; foreign trade and business organization<sup>20</sup>. In the Middle Ages the claims of the state on the individual had been in conflict with two legacies of medieval particularism, in the form of more or less independent feudal lords on the one hand, and more or less autonomous towns on the other. The lords levied tolls, sometimes operated a mint had their own systems of weights and measures, and so forth; the result was confusion worst confounded, and heavy financial burdens on goods that had to be moved to great distance. The towns sought to pursue selfish economic policy, trying to monopolize the economic life of the countryside, to control industry and trade by the guild system, and to foster their citizens' external trade. The modern period began with the attempts of the state to attain economic unification in addition to political. It tried to get uniformity with respect to customs barriers and tolls; the system of weights and measures; the currency system by making a royal monopoly of minting; regulation of industrial activity, either by bringing the guilds under its complete control, or by passing laws dealing with producers and products. It took charge of foreign trade by granting charters to regulated or joint stock companies, thus conferring on them a monopoly of the trade with certain regions and giving them sovereign political power in distant continents. The account of these efforts in England, France and Germany is given in great detail. Heckscher gives one of the best accounts of the multiplicity, complexity, confusion, and combined weight of the tolls on the great rivers<sup>21</sup> and of the French customs system; of the babel of weights and measures<sup>22</sup>; of

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<sup>18</sup> *ibid*, I. p.45-127

<sup>19</sup> *ibid*, p.137-325

<sup>20</sup> *ibid*, p.326-455

<sup>21</sup> On the Rhine there was one toll- collector to every 10 miles of the river, and on the Loire one to every 5 miles. In 1650 there were 48 tolls on the Elbe, and between them they absorbed 54 out of every 60 planks of timber descending the whole stream. Salt quintupled in cost by traveling 260 miles on the Loire.

<sup>22</sup> Baden in 1810 had 112 different measures of length, 92 of area, 65 dry measures, 163 for grains, 123 liquid measures, and 80-pound weights.

Colbert's heroic efforts to pull some barriers down; of his plans for compulsory guild membership and for a state dominated regulation of every nook and cranny of industry; of the manufactures royales and other attempts to foster new industries in France; of the British regulation of industry and the factors which undid it; of the development of commercial organization and the policy of French, British and Dutch government towards it. Heckscher has inspected the judgments of English courts on questions of monopoly, guild privileges, "restraint of trade", etc., with thoroughness never before attempted even by English scholars. However whether mercantilism was a unifying system is questionable. After a long account of this or that effort Heckscher himself reaches the conclusion, 'confusion reigned supreme', 'little was accomplished', 'the work of unification was insignificant' and so on. Three successes of some importance are chronicled: 1) the Statute of Artificers (1563), which dealt with wages regulation, apprenticeship, etc., in England; 2) Colbert's tariff of 1664, which consolidated export and import duties, abolished many tolls, and substituted uniform rates in the "five great farms" (tax farm areas), which covered about three-eighths of France; and 3) some unification of customs administration in 17<sup>th</sup> century Sweden. But two of these achievements were in countries (Sweden and England) that were not seriously disintegrated and stood in little need of unification; so we are left with Colbert's one big success, a handful of questionable minor successes, and a host of failures, of which Colbert's foreign trade companies may be mentioned as examples.

Faced with these facts that economic unity was not an important mercantilist aim, Heckscher has retreated somewhat. In general, the author does not find that mercantilism achieved any considerable degree of success in its efforts towards unification in the fields of industrial regulation and domestic trade. In foreign trade, however, the work of unification was much easier, and correspondingly more successful. In his revision he admits: *"It is not only that the attempts at unity were, with few exceptions, failures- such was the result of the majority of mercantilists measures; even these attempts themselves were to a great extent half-hearted. It is difficult to find more than two bold attempts in this direction in the leading countries.... This consideration gives rise to a suspicion that*

*mercantilist statesman did not take their unifying work seriously.*"<sup>23</sup> The reasons for failures at the attempt of unity lay in the defective administration. Colbert's work to erect a comprehensive well-organised civil service and his work on toll reform was "undermined by that inveterate cancer of all customs administration of early times, the disobedience and dishonesty of early officials."<sup>24</sup> England did not create an ad hoc bureaucracy to supervise the enforcement of her industrial legislation, as Colbert did. The inefficiency or corruptibility of underpaid custom officers and anti-smuggling squads was notorious.<sup>25</sup>

Another important factor in this context, which had been given inadequate attention by Heckscher, is 'public (or royal) finance'<sup>26</sup>. If mercantilism was state building, the character of the state has to be perceived rightly. Herein the reflection of the state gives a picture of a state, which had obligations of a modern centralized state, but the revenue system was a feudal one. The obligations were heavier because of the great luxury of the courts, the higher price level, and the growing cost of wars fought with the new equipment by large mercenary armies. *There were only seven calendar years of peace in the seventeenth century, and Great Britain was at war with someone during 84 of the 165 years between 1650 and 1815. This chronic belligerency affected policies both political and economic; it also affected pockets and led rulers for wild scrambles for cash wherever they could see any.* The Royal repudiations, from those of Philip II of Spain to those of Charles II England, are merely instances where perpetually strained finances snapped. French officials, says Heckscher, were always "bent on collecting enough to cover their expenditure of the next twenty four hours"; instead of planning reforms which might have been more productive in the long run, "the old method of snatching at whatever lay to hand was followed".<sup>27</sup>

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<sup>23</sup> Eli Heckscher, 'Mercantilism', in the series 'Revisions in Economic History', in *Economic History Review*, Vol. VII, No.1, 1936-7, p.46

<sup>24</sup> Heckscher, I, p. 105

<sup>25</sup> Of thirteen pages devoted by Lipson to the mercantilist prohibition of wool exports, five deal with the futile efforts to prevent "owling", i.e., smuggling (*Economic History of England*, 1931, III, 22-34)

<sup>26</sup> Herbert Heaton, *The Journal of Political Economy*. Vol.45, No.3. (June, 1937), p.375

<sup>27</sup> Heckscher, I, p.124



More important still, many plans, which on the surface, seemed to aim at unification, regulation, or the promotion of some industry or trade had a fiscal motive. The German princes may have thought the reforms of toll desirable but they did nothing because they “found the internal tolls an indispensable source of income.”<sup>28</sup> France was not in a much better position, surprising is the weight given to fiscal considerations in the elaborate system of Colbertian industrial regulation. Having led us, through 42 pages of description and discussion, to believe that quality through regulated guild monopoly was the mercantilist aim, Heckscher announces that

*“the foregoing account omits one of the most important features of economic policy, if not the most important of all- namely what is called in French fiscalisme.... The state, by its intervention, wanted to create large sources of revenue for itself, under the more or less false pretence of guiding industry along the right lines... The state exploited for its own ends the monopolistic advantages which the guilds has secured for their members or the owners of private privileges had secured for themselves.”*<sup>29</sup>

The whole series of industrial regulations “unblushingly served fiscal ends”; there “true purpose was really fiscal.” “Industrial control thus stood revealed as naked fiscalism,” as “a kind of indirect taxation, taxing the consumers through the monopolistic artisans.”<sup>30</sup>

Instances of fiscalism are fewer in England but it is clearly evident in the state’s attitude towards companies, whether regulated or joint stock. The crown frequently regarded the companies as milch kine; it would blithely establish a rival company and violate an old charter if more money could thereby be obtained; it would claim a share of the capital and profit, and lean on the East India Company, the South Sea Company, and the Bank of England after 1694, for loans.<sup>31</sup> When in the eighteenth century the state found other ways of financing itself, the sale of monopolies to corporations ceased. *It can therefore*

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<sup>28</sup> *ibid.*, p. 78

<sup>29</sup> *ibid.*, p. 178

<sup>30</sup> *ibid.*, I, p. 181

<sup>31</sup> Right through to 1700 English sovereigns tried to filch for the expenses of governments the funds subscribed by merchants for foreign trade.

*be asked here, why mercantilism as a system of public finance should not be regarded as being vastly more important than considerations of unification.*<sup>32</sup>

The second aspect of mercantilism, which Heckscher takes up in his work, deals with mercantilism as a system of economic policy designed to increase the power of the state; all economic activity was made subservient to that end. The question is put: *Was this power "conceived as an end in itself, or only as means for gaining something else, such as well being of the nation in this world or its everlasting salvation in the next?"*<sup>33</sup> Heckscher's answer is that power was an end in itself, to which all other considerations must bow and to which all economic activities must be bent. The quest for plenty must be subordinate to the quest for power, and every economic enterprise must be approved or condemned accordingly to its effect in strengthening or weakening the state's muscles.<sup>34</sup> Economic life must be "mobilized for political purposes."<sup>35</sup> However Heckscher has retreated in his revision so far as to admit that "both 'power' and 'opulence'- to make use of the terms employed by Adam Smith- have been, and must be, of importance to economic policy of every description"<sup>36</sup> But he still insists that mercantilism put power above opulence, in contrast with laissez faire, which made the creation of wealth its lodestar, with small regard to the effect on the power of the state. *What did the mercantilist state want to do with its power when it got it? Use it partly for dynastic, religious, or diplomatic ends, but also to advance economic aims. As C.R.Fay has pointed out, England fought its rivals for access to the New World and the high seas in the sixteenth century, for the carrying trade in the seventeenth century, and for an overseas empire, conceived as source of raw materials and a market for manufactured*

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<sup>32</sup> Heaton, op cit., p.377, also Coleman alleges that the treatment of English protectionism from the seventeenth century onwards largely in terms of theoretical ideas and without significant reference to war finance and Anglo French politico-economic relations reiterates the fact that his work is really a work about economic thought and not about policy. p. 104. See, D.C.Coleman, 'Eli Heckscher and the Idea of Mercantilism', in his edited collection 'Revisions of Mercantilism'.

<sup>33</sup> Heckscher, II, p.16

<sup>34</sup> Debate on the issue of 'power' and 'plenty' has been taken up Professor Viner in his article, "Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries", World Politics, Vol.1, No.1 (Oct., 1948). Discussed in the later part of the paper.

<sup>35</sup> Heckscher, Op cit, II, p.21

<sup>36</sup> Economic History Review, p.48

goods in the eighteenth century.<sup>37</sup> Mercantilism was not a gospel of states that were satisfied merely to defend themselves and keep what they had already; it was a weapon for aggression, for acquisition, for securing more political power and economic benefits. Also it is to be noted that whether the silence of laissez faire exponents about power was not due to the fact that they happened to live in a powerful country which was in no danger of attack and in a world that somehow managed to escape a first class continental war between 1815 and 1914. Whether power was used as means or end, it influenced the attitude of the state toward most forms of economic enterprise. Attempts were made directly to influence the supply of certain commodities and services that were regarded as essential to the power of the state, for example, ships, sailors, naval stores, and indispensable raw materials. In addition, the mercantilists realized that the power of the state was to be promoted by the general increase in the total national income, which might be drawn upon by the state through taxation. It was as means to this end that they developed their policy of protectionism and their monetary policy.

Thirdly, mercantilism may be defined as a system of economic policy designed to promote the wealth, and thus the power of the state through systematic protection of domestic producers. Protection, as used by Heckscher, had as its basis a definite attitude towards goods, which he characterizes as “*fear of goods*” or the “*gospel of high prices*”<sup>38</sup>. This policy, together with a new monetary policy, “*represents the most important contribution of mercantilism to the history of economic policy.*”<sup>39</sup> It became “*more and more all pervading, carrying at last the citadel of the ‘policy of provision’, the encouragement of a great supply of foodstuffs; introducing, in its stead, import prohibitions on foodstuffs, as well as bounties on exports of food.*”<sup>40</sup> The transfer from provisionism to protectionism, from hunger of goods to fear of goods is explained fundamentally by the change from natural to money economy.<sup>41</sup> Production was considered almost as an end in itself. However the fear of not being able to dispose of the goods led to the deep desire to increase exports and diminish imports. “The object was, in

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<sup>37</sup> C.R.Fay, *Imperial Economy*, p.2

<sup>38</sup> Heckscher, II, p.58, p. 114-118

<sup>39</sup> *ibid*, II, p.59

<sup>40</sup> *Economic History Review*, op cit., p.50

<sup>41</sup> Heckscher, II, p.103

fact, to dispose of goods by any possible means.”<sup>42</sup> This attitude was further strengthened by the desire to create work and avoid unemployment at home.<sup>43</sup> There were, however, certain important exceptions to this “fear of goods” attitude, particularly the desire to prevent the export of money and the precious metals and in general the willingness to permit exportation in the case of such factors of production as raw materials and machinery.<sup>44</sup>

Fourth mercantilism may be considered as a system of monetary policy. Measures were approved which were believed to lead to an increase in the quantity of money and precious metals within the country, and measures that might lead to the contrary results were disapproved.<sup>45</sup> This attitude towards money did not arise from a worship of money for money’s sake, but rather from three concepts of the function of money: 1) an identification of money with capital<sup>46</sup>; 2) the concept that a rapid circulation of money promotes the increase of national wealth<sup>47</sup>; 3) the concept that a large quantity of money in the country leads to a favourable exchange relationship with other countries.<sup>48</sup> (Heckscher’s survey of ‘Mercantilism as a monetary system’ that has been examined minutely by Professor Charles Wilson will be dealt with in later part of the paper.)

Each of these four aspects of mercantilism is fully discussed and critically analysed by the author in the first four parts of the book. In Part five he contributes a discussion which in many respects is the most interesting and original portion of the whole study- a discussion on the mercantilist conception of society, and a comparison of this conception with that of the Middle Ages and the period of laissez faire. Like the economic writers of the latter period, the mercantilists looked upon society as similar to the physical body, as a mechanism, which behaved in accordance with the law. But while they believed in

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<sup>42</sup> *ibid*, II, p.118

<sup>43</sup> *ibid*, II, p.121

<sup>44</sup> *ibid*, II, p.145-152

<sup>45</sup> But as Heckscher points out, this attitude towards money was also fairly common in the Middle Ages. “To this extent protectionism was a more decisive novelty in mercantilism than was the monetary policy.”, II, p. 176-7

<sup>46</sup> *ibid*, II, p.199-209

<sup>47</sup> *ibid* p.217-221

<sup>48</sup> *ibid*, p. 238-261

social causation, they also believed that the statesman could and should influence this causation in order that the true ends of the society might be realized. The highest end was the power and wealth of the state; the welfare of the state came before the welfare of the individual. As to means, they believed in providing incentives to induce individuals to serve the interests of the state rather than relying upon compulsion. In a sense, the mercantilists might even be said to have believed in liberty and freedom of trade, although not in the sense in which those terms are used today. Heckscher describes their idea of freedom of trade as follows:

*'... one was free to do what one wished without prevention or compulsion by governmental regulation, but the activity of the individual was to be directed along the right lines through economic rewards and penalties, the weapons of a wise government.'*<sup>49</sup>

The principle difference between this idea of liberty and that propounded by the *laissez faire* economists has reference to the proper source of "economic rewards and penalties". The mercantilists believed that government must provide for the operation of such rewards and penalties, while the *laissez faire* economist believed that the necessary incentives and their opposites automatically become effective in a free society without deliberate action by the statesman being necessary or desirable. Chiefly, the liberal believed, while the mercantilist disbelieved, in "a predetermined harmony inherent in the nature of economic phenomenon,"<sup>50</sup> in "an immanent social rationality".<sup>51</sup>

### **Mercantilist Aim: "Power" OR "Plenty"**

Professor Viner has questioned what he calls 'certain stereotypes' that have been accepted by students of mercantilism. The one to which he devotes most attention is the notion that mercantilism was a 'system of power', that 'power' was for mercantilists the sole or overwhelmingly preponderant end of policy, 'opulence' being a means to this end.

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<sup>49</sup> *ibid*, II, p.296

<sup>50</sup> *ibid*, II, p.318

<sup>51</sup> *Economic History Review*, p.53

Refuting those scholars, who, he believes, have propounded such doctrine, he concludes that practically all mercantilists would, in fact, have agreed on four interdependent propositions, viz, i) that wealth is essential to power, ii) that power is essential to wealth, iii) that wealth and power are each proper ultimate ends of national policy, iv) that, there is 'long run harmony' between these ends though there may well be times when military security demands economic sacrifices.<sup>52</sup> Viner asserts that the omission of any one of the four propositions results in an incorrect interpretation of mercantilist doctrine. He cites a number of references, which state that power and plenty were universally regarded as each valuable for its own sake.

John Graunt, in 1662, states that "*the art of governing, and the true politiques, is how to preserve the subject in peace and plenty.*"<sup>53</sup> An anonymous English writer, in 1677, declares that: "*The four main interests of a nation are, religion, reputation, peace and trade...*"<sup>54</sup> William III, in his declaration of war against France in 1689, gives as one of the reasons that Louis XIV's "*forbidding the importation of a great part of the product and manufactures of our Kingdom, and imposing exorbitant customs upon the rest, are sufficient evidence of his design to destroy the trade on which the wealth and safety of this nation so much depends.*"<sup>55</sup> William Wood, a noted mercantilist writer, refers to the English as "*a people... who seek no other advantages than such only as may enlarge and secure that, whereby their strength, power, riches and reputation, equally increase and are preserved...*"<sup>56</sup> Viner cites the foregoing references to reiterate his point that in the age of mercantilism power and plenty were both sought for their own sakes. Viner asserts Adam Smith, though not a mercantilist was speaking for mercantilists as well as for himself when he said, "the great object for the political economy of every country, is to increase the riches and power of that country."<sup>57</sup> A pervasive element in Viner's

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<sup>52</sup> Jacob Viner, 'Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries', *World Politics*, Vol.1, No.1 (Oct., 1948), p1-29

<sup>53</sup> Viner, p.12, Cited from, 'Natural and Political Observations made upon the Bills of Mortality', London, 1662

<sup>54</sup> *op cit.*, p12, 'The Present State of Christendom, and the Interest of England', with regard to France, I, p.249

<sup>55</sup> As cited in *Mercator, or Commerce Retrieved*, No.I, London, 1713

<sup>56</sup> *Survey of Trade*, 2<sup>nd</sup> ed., London, 1719, p. iv-v

<sup>57</sup> *Wealth of Nations*, Cannan ed., I, 351

argument is the proposition that power and plenty are also harmonious ends each reinforcing and promoting each other.<sup>58</sup> The idea he says is expressed in the maxim attributed to Hobbes: "*Wealth is power and power is Wealth*", and more prominently in the idea that "*Foreign trade produces riches, riches power, power preserves our trade and religion.*"<sup>59</sup> "*Your fleet, and your trade, have so near a relation, and such mutual influence upon each other, they cannot well be separated; your trade is the mother and nurse of your seamen; your seamen are the life of your fleet, and your fleet is the security and protection of your trade, and both together are the wealth, strength, security and glory of Britain.*"<sup>60</sup> However Viner contends that the foregoing fact does not mean that mercantilists were unaware that in specific instances economic sacrifices might have to be made in order to assume national security or victory in an aggressive war.

### **Treasure and Trade Balance: A mercantilist Problem:**

The enquiry into the relation between the treasure and trade balance in the mercantilist period necessarily demands a reading into Thomas Mun's "*England's Treasure by Forraign Trade*" as it has been almost universally accepted among economists as the epitome of seventeenth century mercantile doctrine. The early voyages by the East India Company generated a host of unanticipated practical problems, arising from the intellectual perplexities arising from this new mode and sphere of commerce. How could the Company's practice of exporting precious metals be justified? Was not the nation's stock of wealth seriously compromised by such behaviour? *The East India Company was in the vanguard of innovation in the seventeenth century: and, like most innovation, it was a magnet for critics.*

Leading the assault were those who indicted the East India traders as 'enemies of Christendom' because they carried away the treasure of Europe to enrich the heathen.<sup>61</sup> It

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<sup>58</sup> Op cit., p.15

<sup>59</sup> Josiah Childe, A treatise Concerning the East India Trade, London, 1681, p.29.

<sup>60</sup> Viner, p.15-16, ref. Lord Haversham in the House of Lords, November 6, 1707, Parliamentary History of England, VI, 598.

<sup>61</sup> Robert Kyall, The Trade's increase, p.32

was alleged that withdrawals of precious metals to support the East India commerce were responsible for a shortage at the Royal Mint and for derangement in the exchange rates. In the twelve months beginning 1 April 1619, no silver was available for coinage in the mint.<sup>62</sup> The defence of the Company was taken by Thomas Mun, who is considered as major architect of a coherent brief of the Company's behalf.<sup>63</sup> Mun did not oppose the central premise of orthodox doctrines of the time that a major goal of national economic policy should be the acquisition of precious metals. Mun insisted that only through trade could countries like England, which lacked significant gold and silver deposits at home, augment their supply of precious metals. Mun's primary contribution was the formulation of an official mode, of economic growth in which the long distance trades in general (and the East India trade in particular) could be seen to be crucial components. *Mun's conceptual framework, though not without its limitations, can readily be subsumed in under the rubric of 'mercantilism' as it is understood in the generic sense.* Even the point which the classical economists have held to be the fatal flaw in mercantilists thinking – i.e. an alleged failure to perceive the implication of price adjustments and specie flow mechanisms associated with an influx of precious metals – was incorporated within Mun's scheme of analysis.<sup>64</sup> Contained within Mun's conceptual framework were the essential ingredients of a model of a commercial revolution.

English merchants of the Jacobean era were thoroughly convinced of a positive causal relation between the level of money stocks and the vitality of trade and commerce. The most acute problem, which faced the English, was the loss of silver. The difference in the price levels as between the Orient and the northern Europe made silver a more profitable export than English wares, and between 1601 and 1624 the Company exported £753,336 in money and £ 352,236 in commodities, or nearly 70% specie.<sup>65</sup> After 1615, when the

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<sup>62</sup> Barry.E.Supple, *Commercial Crisis and change in England, 1600-1642*, p.185

<sup>63</sup> Thomas Mun (1571-1641) spent early years of his adult life as a trader in Italy. He became the director of the East India Company in 1615 and was elected to the position of Deputy Governor in 1624, though he declined to serve. In addition to his work as a merchant, Mun served as a member of various official committees examining monetary questions in the 1620's. Barry Supple, *op. cit.*, p. 211-16

<sup>64</sup> J.D.Gould, *The Trade Crisis of the Early 1620's and the English Economic Thought*, *Journal of Economic History*, vol.15 (1955)

<sup>65</sup> K.N.Chaudhary, 'The East India Company and the Export of Treasure in the Early Seventeenth Century', *Economic History Review*, 2<sup>nd</sup> series, XVI (1963), 24



Dutch sharply revised their silver ratio, the output of silver as a percentage of total mint output fell to less than 1 % and remained in that range until 1621.<sup>66</sup> The impact was cumulative, and “ by the early 1620’s the shortage was so pronounced as to cause inconvenience and even hardships.<sup>67</sup> The prime target for criticism was the East India Company, and by 1621 Thomas Mun was moved to write ‘A Discourse of Trade’<sup>68</sup> Mun’s major focus was a three-pronged reply to those who blamed the Company for the scarcity of specie. First he noted that the volume of specie report was actually small in comparison with the amount allowed under the Company’s license from James I, and that the practice achieved benefits for England, which could not be secured by alternative means.<sup>69</sup> Secondly, he contended that transportation of specie was not a matter to cause alarm; it was common practice among commercial power in southern Europe. Thirdly, he explained that there were other more plausible reasons for England’s monetary difficulties.

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It is important here to make note of the frequently mentioned relationship between specie flows and the balance of trade.<sup>70</sup> The concept of “balance” was commonplace by 1620. But he did not include the balance of trade among the enumerated reasons for the loss of gold and silver. The causes he listed were primarily monetary- speculation in the exchange market, devaluation in Germany and the Netherlands, and the disparate quality of the English coinage. By 1623, he asserted in his England’s treasure that the only answer to the crisis was pronounced improvement in the balance of trade. He shifted the terms of reference from the short run to the long run in order to de emphasise the role of money supply as a determinant of economic conditions. *Mun first attacked the notion that money was the “spirit” or the “blood” of the economic body. “It should not to be said that money is the life of trade,” Mun contended, “as if could not subsist without the*

<sup>66</sup> J.D.Gould, ‘The Royal Mint in the Early Seventeenth Century’, HER, 2<sup>nd</sup> series’ (1952), 248

<sup>67</sup> *ibid.*, p.242

<sup>68</sup> East India Trade- Selected Works of seventeenth century.

<sup>69</sup> *ibid*

<sup>70</sup> The term “favourable balance of trade” now so common, and so commonly attributed to the mercantilists, seems first to have been used in 1767 by Sir James Steuart, although the phrase “balance in our favor” had been used by Cary in 1696, Pollexfen and Mackworth in about 1720, Jacob Viner, Theories of Trade before Adam Smith.

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*same*” for exchange had occurred in barter commerce before the invention of money.<sup>71</sup> Mun’s most important proposal was that the state of foreign demand, not the volume of money in circulation, determined domestic incomes; only a strong market abroad that could absorb the cloth worker’s output. Mun contradicted the accepted connection between the money stock and the rate of interest, he wrote: “*contrary to those who affirm, that trade decreaseth as usury increaseth, for they rise and fall together.*”<sup>72</sup> “Whatever may have been the doctrinal implication of the policy of exporting bullion to pay for exports; the East India merchants, as Thomas Mun made clear, could not afford to treat the international movement of bullion as anything other than one of commodities.”<sup>73</sup>

Having set aside monetary objectives, Mun turned to his treatment of the benefits of the Indian trade, and it was in this stage of his exposition that Mun found the balance of trade a most convenient concept. The basis of his defence was the profitability of re-export. The important question at that time was that what did England have to offer to buyers in Asia? The tropical climates did not provide promising conditions for the sale of England’s staple export- wool. Mun reassured the critics that the merchant would ‘rather carry out wares by which there is ever some gains expected than to export money which is still but the same without any encrease.’<sup>74</sup> But he also put forward the problem faced in such trade in countries, which did not afford England any trade as they had no use of English wares, and therefore would yield very large profitable traffic for money, like the East Indies.<sup>75</sup> The early consignments of the Company to the East fell into the pattern Mun had sketched. From the first voyage in 1601 up to July 1620, 79 ships were dispatched. In the aggregate of export values for these two decades, (amounting to about £840,000), silver accounted for £548,000. The remainder was distributed over such items as broadcloth, lead and tin. The ultimate objective of transactions in the East was the procurement of Asian goods for sale in European markets. To obtain them the English East India Company established its first permanent factory at Surat. Silver brought from

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<sup>71</sup> England’s Treasure by Forraign Trade (1664), p.42

<sup>72</sup> *ibid*, p. 145-6

<sup>73</sup> K.N.Chaudhary, *The English East India Company* (1965), p.112-3

<sup>74</sup> Mun (1664), p. 18 (as reprinted in *Early English Tracts on Commerce*, ed. J.R.McCulloch )

<sup>75</sup> Mun (1628), P.35

Europe was there exchanged for textiles, which were bartered for pepper and spices in the Indonesian islands.<sup>76</sup>

Mun did not elaborate the mechanics of this country trade within Asia. For an English audience, it was more important to clarify the nature of the Company's operations in Europe and to demonstrate that their overall impact enhanced the wealth. Therefore the emphasis was on the imports, which would be retained in England, and those, which would later be re-exported to the third markets. The bulk of the retained imports Mun regarded as 'essentials': i.e. such items as pepper, spices and drugs.<sup>77</sup> Much more significant was the re-export trade. A major share of the English East India Company's stocks of pepper would be marketed to Europe.<sup>78</sup> Traffic in East India goods thus permitted England to run a substantial trade surplus in its commerce with third markets. An export of £100,000 in money to the East Indies would procure goods there that would be valued in Europe at £500,000. Of that total less than a quarter (£120,000) would be consumed in England. The final impact on the nation's wealth could only be resoundingly positive. Part of Mun's strategy might thus be regarded as the 17<sup>th</sup> century counterpart of the late 19<sup>th</sup> century practice of '*sterilizing the gold flow*.'<sup>79</sup> The Company, he insisted, further served the national interests because its activities tended to weaken the position of European rivals. Also the East India Company contributed importantly to the national preparedness by developing a reserve naval capacity and by sharpening the skills of shipwrights and seamen.<sup>80</sup> The East India Company was also a generator of employment opportunities in its capacity as an importer of intermediate goods. More important was the linkage between the raw silks imported by the East India Company and

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<sup>76</sup> See K.N. Chaudhary, op.cit.. It should be noted that the attempts to penetrate the Dutch sphere had heavy costs. Mun reported that 12 of the 79 ships dispatched in the first two decades had been captured by the Dutch. A temporary *modus vivendi* was achieved in 1618 when a treaty was negotiated to afford access of English traders to one-half of the pepper trade of Java and to one-third of the trade of the Spice Islands of the Moluccas. This truce was short lived and in 1623, the Dutch arrested English traders on the spice island of Amboyna and ten of them were killed. This episode was to live on in legend as the 'massacre of Amboyna'.

<sup>77</sup> William J. Barber, *British Economic Thought and India, 1600-1858*, p.13

<sup>78</sup> For the year 1627, Mun reported that 'wee brought in Pepper from the Indies to the value of two hundred and eight thousand pound sterling, whereof one hundred and fourscore thousand pounds was within few weekes after shipped, or sould to be transported into foreigne Countries...' (1628), p. 3

<sup>79</sup> Barber, p.18

<sup>80</sup> Barber, p.15

employment for England's weavers. Part of the gain resulted from the growth of commerce would accrue to the state in the form of increased receipts from custom duties.<sup>81</sup>

However the point of contention in the mercantilist period arose from the 'difficult trades'. Throughout the mercantilist period, there were two main branches of trade –the East Indies and the Baltic –where bullion export was a permanent, though an unpleasant necessity. In the first area the trade was defended on the grounds of its ultimate greater profitability through re-export. But the Baltic trade could be defended on no such principle. Overseas trade divided into two types: those in which exports exceeded imports and those in which imports exceeded exports. Clearly the former had to carry the latter. It was therefore necessary to increase to the maximum the yield of precious metal, which could be squeezed from the favourable trades in order to provide the bullion or coin necessary to finance the unfavourable.<sup>82</sup> In the Eastern trade the need was for a flow of cash to bridge the gap between purchase and sale in the Baltic, it was to provide cash for purchases without which national security was imperiled. Mun had outlined it and Brewster enlarged it when he gave the thesis; 'That the full employment of all Hands in the Nation, is the surest way and Means to bring Bullion into the kingdom.'<sup>83</sup> As Wilson suggests that it was not the policy of full employment in the modern sense that Brewster was hinting at, it was an intermediate stage in a policy that balanced social welfare in the same scales as national defence. That overall trade balances are not always a satisfactory answer to the problem of international payments; to know that an account of a nation's which in toto shows a favourable balance may yet contain within itself hard cores of individually unbalanceable trades, was a fact which mercantilists were well aware of. The solution of the problem lay then in the formation of a system of multilateral payments. But that entailed an international credit and currency structure that was unthinkable to seventeenth century Englishmen. *Charles Wilson contends that, the bilateral character gave way to some kind of multilateral system of trade and payments in the eighteenth*

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<sup>81</sup> *ibid.*, p.21

<sup>82</sup> Charles Wilson, *Treasure and Trade Balance: The Mercantilist Problem*, *Economic History Review*, New Series, Vol.2, No.2, (1949), p.156-7

<sup>83</sup> F.Brewster, *New Essays on Trade*, (London, 1702), p.45, as cited in Wilson, *op cit* p.157

century. However its center was not yet London but Amsterdam. The Dutch advanced credit for the maintenance of British forces abroad and took payment in various forms of government stock, most frequently in annuities. These loans, estimated in 1778 to account for £56 million out of the total national debt of £143 million, represent the extent to which the British government of the day was enabled by a new system of international lending to live beyond Britain's own resources. *This did lessen the anxiety about bullion resources in the country but did not wholly remove it. However, Heckscher in raises objections to this point and concedes that the need for reserves was of little consequence to seventeenth mercantilists. The question about the role of bullion and that of the bills of exchange is a point of contention between Heckscher and Wilson. While former suggests a small role for bullion and a larger role to the bills of exchange, Wilson elaborating on the issue suggests that a flow of precious metals was 'the principal and often the only link between a series of channels of trade each of which was essentially bilateral. If the link was missing, imports from any area of trade might well be limited to an amount which could be paid for by direct export of commodities.'* He further quotes Oxenford, "I will add only one thing...which is that no imports can be purchased from the East Indies or Turkey by Bills of Exchange sent thither, for they have no exchange with England, or any other country...the whole value paid by England for the goods we have from them is the value of goods and foreign coin publicly exported out of England..."<sup>84</sup> Furthermore, as Prof. G.N.Clark concedes, 'War may be said to have been as much a normal state of European life as peace'<sup>85</sup>, violence and the threat of violence may help explain why goods and treasure was more trusted than I.O.U's.

### Was 'Mercantilism' a 'beggar my neighbour' policy?

Heckscher maintained that the mercantilists accepted a "static" as opposed to a "dynamic" view of the economic progress. He admits that the word "dynamic" can be used to characterize the mercantile aims within the state; however this dynamism was

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<sup>84</sup> G.N.Clark, Guide to English Commercial Statistics, 1696-1782, p.84, as cited in Charles Wilson, 'Treasure and Trade Balance: Further Evidence', Economic History Review, New Series, Vol. 4, No.2 (1951), 236

<sup>85</sup> G.N.Clark, The seventeenth Century (Oxford, 1947), p.98

bound up with “a static conception of the total economic resources in the world.” Progress could occur internally only through acquisitions from other countries.<sup>86</sup> Other writers have questioned this view on the basis of mercantilist literature of the later period. *Richard C. Wiles*<sup>87</sup> asserts that the ideal of the later mercantilists derived from the widespread notion that England, at least from the mid seventeenth century to the middle of the eighteenth, was in a state of economic decline or stagnation, then a dynamic approach would certainly be a logical approach in their structure. In fact the treatment of the later mercantilist writers of the mutual gains from trade is very surprising in light of conventional assessment of mercantilist doctrine. Even fifty years before David Hume composed his plea for recognition that the successful trade of France was beneficial for England in his essay “Of Jealousy Of Trade”, had espoused similar ideas. Charles Davenant wrote in 1696 – “When all this come to be duly weighed, by a sagacious people, no doubt They will find, That their true safety and Welfare depends upon the strength and Prosperity of England. That they must support their Neighbours tho it diminish something from their growing Stock and Income. That the concerns of Trade must not be the Only object of their designes.”<sup>88</sup> The same idea appears in Daniel Defoe’s ‘Mercator or Commerce Retrieved’: “Trading Nations, tho’ Christian, ought to maintain Commerce with all the people they can get by. Gain is the Design of Merchandise: Tis a Commutation of Merchantible Commodities between one Country and another, and for the mutual Profit of the Traders. The Language of Nations one to another is, I let thee gain by me, that I may gain by thee.”<sup>89</sup> In his tract *Money Answers All Things*, Jacob Vanderlint (1734) points out, “ All Nations of the World, therefore, should be regarded as one Body of Tradesmen, exercising their various Occupations for the Mutual Benefit and Advantage of Each other.” The idea of co-operation so alien to the usual interpretation of mercantilism, became a common notion and is widespread during this later period. It can be alleged here that the connection being established here is really a mere extension of the typically mercantilist desire to increase exports. However what is important to see is that

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<sup>86</sup> Heckscher, *op.cit.*, II, p.24-5

<sup>87</sup> Richard.C.Wiles, ‘Mercantilism and the Idea of Progress’, *Eighteenth Century Studies*, Vol.8, No.1 (Autumn, 1974), p.56-74

<sup>88</sup> A Memoriall Concerning Creditt (1696), in *A Reprint of Economic Tracts*, ed. G.H.Evans, p.107, as cited in Wiles *op. cit.*, p.63

<sup>89</sup> *ibid.*, p.64

there is a change in the tone of mercantilist writings, in the sense of the great possibilities in expanding commerce rather than in taking away trade from others. Therefore it can be concluded that Heckscher's<sup>90</sup> contention that laissez faire doctrine was a dynamic one and human progress according to the mercantilists could be achieved only through a gain from other countries, what he terms as 'tragedy of mercantilism' is impossible to defend in light of the evidence cited by Wiles.

The foregoing discussion raises another query, 'Whether the favourable balance of trade so hotly pursued by the Mercantilists can only be obtained by one country to the extent that it is offset by another country's unfavourable balance?' Rudolph C. Blitz<sup>91</sup> has tried to explain that it is possible during a period of heavy production of precious metals for the silver- (or gold) importing countries to have favourable balances without the silver exporting countries having unfavourable balances. If one country produces nothing but gold, which it exports to the rest of the world in exchange for consumption and investment goods, it is more meaningful to regard these gold exports as 'gold commodity exports' than as measure of the unfavourable balance. Blitz cites Meade in distinguishing between "accommodating" and "autonomous" payments in a country's balance of payments.<sup>92</sup> In the context of trade with the Orient, Blitz argues that the oriental habit of hoarding or transforming into jewelry vast amounts of precious metals made it quite obvious that every ounce of gold and silver that acted as lubricant in world trade could not at the same time contribute to inflation within Europe. He continues that therefore even those who admit that Price Revolution acted as a great stimulant of trade admit that the expansion of Eastern trade was of utmost importance to European economic expansion. Due to restrictions of space it is not possible to minutely debate this issue however, it can be said that the task of analyzing the impact of specie flow in the larger

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<sup>90</sup> Heckscher, however, concedes that he made no research covering the period after 1715, even though he ventured to make generalizations concerning this period.

<sup>91</sup> Rudolph C. Blitz, 'Mercantilist Policies and the Pattern of World Trade, 1500-1750', *The Journal of Economic History*, Vol. 27, No. 1 (March, 1967), 39-55

<sup>92</sup> The distinguishing feature of accommodating payments is "...that they have taken place only because the other items in the balance of payments are such as to leave a gap of this size to be filled." J.E. Meade, *The Balance of Payments* (London, 1952), p.11. These payments are made in order to avoid "...exchange variation, import restriction, or the other alternative methods of closing the gap." Meade continues: "On the other hand, the distinguishing feature of autonomous payments is that they take place regardless of the size of the other items in the balance of payments."

world of trade demands acute observations to be made regarding the regional contrasts and only then can logical conclusions flow from it.

### *Mercantilism as Strategic Trade Policy:*

It becomes imperative here to analyse mercantilism based on an analogy between mercantilism and recent theories of strategic trade policy. The period 1600 to 1750 was one of consolidation. The amorphous merchant class strengthened its position within Holland and later in England. An international division of labour continued to characterize the period as whole, although how the benefits were distributed changed significantly. And compared to the bullish expansion of the sixteenth century, which initiated the rich trades with the Orient, began the conquest of the New World within the European states, the seventeenth century registered but modest gains in overall world trade. *Despite the leveling off, some states managed to assure their prosperity by gathering in a disproportionate share of the world's commercial traffic- but not without opposition.* It is here that the point about strategic trade policy comes into picture. Therefore it becomes important to analyse the period of Dutch hegemony and a systematic comparison of England and France in the later period. To mercantilists of the time like Thomas Mun, a nation's wealth depended on the vitality of its foreign trade. *The path to commercial prosperity, however, is multifaceted. The analogy between mercantilism and strategic trade policy is based on the observation that the emerging trade between Europe and other regions of the world during the mercantilist period was undertaken chiefly by state chartered monopoly trading companies and was therefore conducted under conditions of imperfect competition.*<sup>93</sup> It is based, for one thing, on domestic production. Holland's initial advantage was derived from its efficient agriculture and fishing, and from the productivity of domestic industries: notably, textiles, shipbuilding, sugar refining, and munitions. The Dutch could fish off English shores and sell the catch competitively in English ports. Using this advantage, they built up their lucrative trade in the Baltic in salted herring. They also bought rough, undyed

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<sup>93</sup> Douglas.A.Irvin, Mercantilism as Strategic Trade Policy: The Anglo Dutch Rivalry for the East India Trade.', The Journal of Political Economy, Vol. 99, No. 6, (Dec., 1991), p.1297



cloth in England, finished it in the textile center of Leiden, and then shipped it back-underselling the English version of the same product. The sequence of Dutch advantages in the world economy was first productive, then distributional, and finally financial. For a brief period from 1625 to 1650, they had clearly outdistanced their rivals. Subsequently, high wages began to undermine Dutch competitiveness. This was especially true for industrial towns like Leiden. In England and France, by contrast, the putting out system shifted textile production to the countryside, where wages were lower. Nevertheless, Amsterdam continued to be a financial center long after domestic industries and trade had declined. Dutch bankers still had their capital, and it earned rich dividends: primarily because they invested it in London, where interests rate were higher. If we see the Anglo Dutch commerce in other light, then the *link between the institutional structure and economic objectives* of the two companies needs to be closely perceived. Herein the difference is noticeable, before the formation of the VOC; Dutch trade with the East Indies was managed by the '*bewindhebbers*', who made business decisions regarding the details of particular voyages and the sale of Asian goods in European markets. The bewindhebbers were directly accountable to shareholders, who were guided solely by the profit motive. But the granting of monopoly privileges and establishment of close government ties that accompanied the formation of the VOC in 1602 eroded the influence of the bewindhebbers.<sup>94</sup> Latter became a managerial group with close affiliation to the political authorities. The peaceful commerce of the earlier Dutch traders was abandoned in favor of more aggressive behavior to oust rivals from the East India Trade, tenaciously eliminating rivals from the spice islands of Indonesia. The English did not strive to check the Dutch domination of the East India Trade, but had the Company persuaded the Privy Council to subsidise it as apart of profit-shifting policy against the VOC. The subsidy significantly lowered the European price of pepper to the gain of European consumers, increased English shipments by 2.2 million pounds, and decreased Dutch shipments by 0.6 million pounds. While the Dutch profits fall substantially, the subsidy brought the English a net gain of about 50% above profits in the 1622 equilibrium.<sup>95</sup> Thus we see that the profit shifting opportunity was clearly present in the period. Dutch supremacy in the

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<sup>94</sup> Kristoff Glamman, Dutch Asiatic Trade, 1958, p.6

<sup>95</sup> Douglas Irwin op. cit., p1311

early East India trade was not achieved through government subsidies but was facilitated by managerial incentives in the monopoly charter to increase shipping revenue. However, the episode ended with an ironic twist. By gradually acquiring territory on the spice islands of Indonesia, the Dutch succeeded in preempting rivals from the region but committed themselves to a trade that was to decline in importance in the second half of the century. Meanwhile passive in response to Dutch commercial tactics and ousted from much of South East Asia, the English were forced to divert their trade toward India. Once established in India, the English were exceedingly well positioned to capitalize on what soon became the much more profitable and more rapidly growing cotton textile trade.

By the 1680's, the English and the French had successfully challenged the Dutch; a period of intense Anglo French rivalry followed. England fared better in the competition for Empire; why? In the Dutch case, productive efficiency at home laid the foundation for expansion abroad. Was this not also the secret of England's success? Both the contestants were fairly evenly matched. What was then England's advantage? England was pushed into foreign trade in ways that France was not. For example, England entered Baltic trade to insure adequate supplies of naval stores and iron; France, by contrast, had sufficient domestic sources to meet its needs. With a population several times that its English rival, French industry had a larger domestic market. In short, French prosperity did not depend that heavily on foreign trade. This inward orientation of the French economy and the vulnerability of the country's borders, argued for strategic reliance on the army. England however depended more on external markets to absorb its surplus production. Having a greater stake in trade, England's military strategy emphasized naval defense, and a stringer navy gave England an edge in overseas competition. In the long run England concentrated on trade and imperial expansion with a determination and consistency that was not possible in France. The key was the commercial strength of the English state. England's real advantage was that the realm's merchants had a political base in Parliament where they could promote their interests.

## *Mercantilism: 'Policy' and 'Theory':*

The most intriguing question about the whole concept of mercantilism is can we not only describe but also assess 'policy' apart from 'theory'. And another related query would be where the pamphleteers of the time actually represented the theories which were being followed or, in other words how far were they justified according to the circumstances of their times. Coleman<sup>96</sup> closely analyses this question through a vast array of mercantilist literature. He classifies the literature in two sections, one following the stage-theory line of Adam Smith, and the particular sort of explanatory model developed by Marx and extended by modern historians and neo-Marxist disciples. The other, following the path of the 'invisible hand' and classical economic liberalism, led to Heckscher's massive work, the anti determinist position of which was particularly applauded by economists of laissez faire persuasion. Coleman focuses on the modern attempts at explanation that according to him combine elements of both lines of thought. Lars Magnusson<sup>97</sup>, for example, asserts that mercantilism can be given a 'rational content' by coupling it to the period of 'merchant capitalism' in Western Europe which saw 'primary accumulation' in the hands of merchant capitalists and those who enjoyed monopoly powers that permitted them to depress costs and inflate selling prices. Going by this line of reasoning Heckscher's view that mercantilist ideas had no material base in the societies from which they sprang becomes untenable.

In her essay in explanation, Mrs. Appleby<sup>98</sup> has traced a line of economic thought which she sees exhibited in seventeenth century printed tracts ranging from Malynes, Misselden and Mun in the earlier years to such writers as Barbon, North, Houghton and Martin at the end of the century. In this sequence, she says, abstract economic theorizing got under way and with it the idea of laissez faire. By the later decades, a comprehensive new theory of economic growth had been formulated, the dynamic notions of which put out of

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<sup>96</sup> D.C.Coleman, 'Mercantilism Revisited', *The Historical Journal*, Vol. 23, No. 4 (Dec.,1980), 773-791

<sup>97</sup> 'Eli Heckscher, mercantilism, and the favorable balance of trade', *Scandinavian Economic History Review*, XXVI, No. 2 (1978)

<sup>98</sup> Joyce Oldham Appleby, *Economic thought and ideology in seventeenth century England* (Princeton, N.J., 1978)

court the old static balance of trade theory; and liberal ideas were ‘circulating as freely in England as East India calicoes’<sup>99</sup>. The reason for this can be traced with the expansion of English overseas trade beginning in the later sixteenth and early seventeenth centuries that brought into being a ‘new commercial economy.’ The need to explain ‘the new market forces in their lives’ and the competition with Dutch Economy ‘of necessity required the creation of an economic model.’ Obstacles created by the depression of the 1620’s and the ‘patrimonialism’ of James I acted as stimulants to what became a flood of economic writings advocating economic freedom.<sup>100</sup> In the last decades of the 17<sup>th</sup> century there were crucial checks to these developments, as evident in John Locke’s view on money, emphasizing the specie content of coin and adumbrated during the recoinage crisis of 1696<sup>101</sup> and in the divergence of interest between overseas trade and manufacturing industry. Political decisions made between 1696 and 1713 are said to have swept the economic liberals aside; protectionism and balance of trade triumphed. And thus came upon the scene ‘the first appearance in England of anything that could be called mercantilism.’<sup>102</sup> *Coleman suggests that both foregoing opinions have occasional points of contact. While one sees English mercantilism growing around 1713, with responsibility attaching to a combination of landlords and manufacturers exercising sway over government; in the other, it emerged as various times and places in Western Europe between the end of the ‘feudal mode of production’ and the onset of the industrial revolution, with responsibility primarily attached to merchant capitalists.*<sup>103</sup> Coleman therefore remains skeptical about some attempts to explain mercantilism. He contends that Heckscher’s view on mercantilism shunned away any attempt to give it any correspondence to contemporary economic circumstances, thereby leaving a vacuum, which still remains unfilled. He says: “*Historical labels have, however, a remarkable talent for survival and are extraordinarily difficult to remove.*”<sup>104</sup> Mercantilism, as Coleman would have us believe was one of those non-existent entity that had to be invented due to the need of the times. It rarely possessed anything remotely describable

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<sup>99</sup> *ibid.*, p.198

<sup>100</sup> *ibid.*, p.5, 30-1, 53, 79

<sup>101</sup> His views revived the moribund balance of trade explanation for economic growth; and the urge to secure more gold and silver by overseas trade was thereby reasserted in the public mind.

<sup>102</sup> *Ibid.*, p.127, 194, 238, 250-1, 267

<sup>103</sup> Coleman, *op. cit.*, p.780

<sup>104</sup> *ibid.*, p.789

as 'economic policy', but it always had financial problems for the solution of which it had to parley with both the creators of wealth and the payer's of taxes. Those who were writing the tracts and pamphlets that provide the historical evidence were often writing for the performers of the bargaining game.

Every narrative seeks a logical conclusion. But drawing a conclusion is not an easy task and that too in the context of as contentious and vast topic as 'Mercantilism'. It is important here to state that the differing treatments given to the idea of mercantilism and the emerging diversity of opinions, due to the aspects which have been taken into consideration by economists as well as historians who have written on the subject, makes the task highly untenable. The economic thoughts of the period refashioned by the exigencies of time and place, have produced new interpretations of a useful phrase. Ideas have been stood on their head but the name by which they go retained. The historiography of mercantilism came in this way to resemble a set of still pictures rather than a motion film. To begin with, Adam Smith perceives mercantile system as one pursued by merchants and manufacturers for their own selfish interests. The concept of mercantilism does not much figure in the Marxist treatment of history. It has been called 'the ideology of the monopoly of trading companies' and, by Maurice Dobb, 'a system of State-regulated exploitation through trade.... essentially the economic policy of an age of primitive accumulation'.<sup>105</sup> Dobb seems to have doubts about the reality of the system, for he notes that the doctrines of mercantilist writers were less homogeneous than classical economists represented them. It appears to Heckscher "beyond doubt" that "it is admissible to speak of mercantilism as a policy and as a theory governed by inner harmony", Coleman partially agrees with the theory but not at all with respect to policy. While Ingomar Bog holds mercantilism (also referred to him as 'imperial mercantilism') to be one of historiography's virtually categorical certainties with mercantilist economic policy exhibiting a rigorously logical structure, others attempt to provide some finer sub classifications, as Coleman dubs them, 'counter concepts to mercantilism', based on

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<sup>105</sup> Maurice Dobb, *Studies in the Development of Capitalism* (1946), p209

pragmatic objectives and administrative effectiveness. Charles Wilson argues that 'the obstinate core of mercantilist thought can...be seen in the belief that some activities were beneficial and some harmful to the community and that it was the State's task to discern and separate the two'. He finds after the mid seventeenth century another face of mercantilism 'social mercantilism' concerned with the frustrating problems of unemployment and poverty and their implications for welfare and reform. Jacob Viner persuasively argues the mutual consistency and complementarity of 'power' and 'plenty' as ultimate mercantilists goals. There are others who locate the key to understanding the mercantilists and anti-mercantilists in the area of fiscal attitudes, institutions and policies. Some discard mercantilism as a historical category of coherent doctrine, alleging it to be an imaginary system conceived by economists for purposes of theoretical exposition and mishandled by historians in the service of their political ideals. Prof. Herbert Heaton asks, "What, then, was mercantilism? Was there ever such a thing?" Is it not like trying to put together all sorts of disconnected tendencies in governmental policy during several centuries and calling it an *ism*? An *ism* usually consists of criticism of existing conditions, an outline of an alternative policy, a theory to justify the criticism and the alternative, and an agitation or movement to supplant the old with the new; or, to put it another way, it is a policy and a theory governed by an inner harmony and advocated or applied in a particular time or phase of development. However, as Heckscher admits, like many other writers on the subject, that mercantilism is not a compact, consistent 'ism'; rather it is 'only an instrumental concept which, if aptly chosen, should enable us to understand a particular historical period more clearly than we otherwise might'.

Historian's in these camps, differ not only in the choice of what they consider significant in the past, but also in their preferred modes of historical explanation. The whole issue of mercantilism, which essentially emerged as an organic outshoot of economic policies pursued by different countries, gradually broadened to include under its ambit the essential idea of what historians consider as the difference between the theory and policy. The sheer varieties of ways in which the historians look at the facts add differential dimensions to the study of mercantilism. While following the history of controversy about the basic aims and character of mercantilism, one often feels that the jousting is

over words rather than historical realities, that it is more a matter of semantics than of historiography. Mercantilism has been employed as an effective concept in the tools of economic analysis but the problem is that this concept has become too universalistic to be useful in explicating the particulars of concrete history. Indeed there have been repeated attempts over two centuries to find sufficient uniformities in the era, with respect to fundamental perspectives, general objectives, and specific tactics, to justify identification of the period with a label as a short hand aid in communication. It is commonly charged that historians of theory do not adequately understand or take into account the mercantilists world. But the question is whether the mercantilists understood their own world. Do those ancient writers give evidence of a coherent analysis in making and evaluating policy proposals? The most difficult problem facing any study that hopes to elucidate an "ism" in historiography is that of conceptual coherence. Not only must such a study be put in the larger picture and shown to have significance in understanding a totality of endeavours, as linked together by specific problems and the social responses there to, it must also acquire internal coherence, so that its assumptions and premises are clearly defined and readily apparent. Once having accepted that, it remains to be said by the way of logical conclusion that for an intelligible analysis of any 'ism', the place of 'theory' is as important as the historical evidence (read policies). It is to say in different words that historical policies have its own importance and place in the scheme of analysis but it continues to remain an isolated digit as long as it is carefully not woven together in the web of a theory. It is, after all, the theory that binds the historical facts not the independent isolated facts.

The aforementioned discussion on mercantilism tends to ascertain the interaction between the fixed elements in history- the critical, systematic method and the sources- and the time bound elements embodied in the historian. In the following chapters an attempt would be made to elucidate the factors which infused the spirit of mercantilism in the functioning of English East India Company. The administrative set up, the physical infrastructure, the innovative economic and fiscal institutional mechanisms and ever expanding commercial practices at the Coromandel Coast gave a systematic and concrete shape to the precepts of mercantilism.

## Chapter II

### English Company and Mercantilism in Practice

#### The administrative infrastructure at the Coromandel Coast and Planning of Fort St. George

The English East India Company was primarily a trading body; through territorial expansion it became a governing power. Trade, trading capital and markets, both within and beyond India, continued to be the Company's abiding concerns. The acquisition of territorial dominion formed the basis of an increasingly complex network of control that involved such matters as the respective interests of the Company on the one hand, and private European traders on the other, the appropriation of territorial revenue for commercial purposes, and the intricacies of money and bullion flows. The period prior to the Company's conquest of Bengal was of active European commerce with India. During this time, structure of trade and institutions for procuring goods and raising credit had been built which brought Europeans into contact with Indian middlemen and producers. Many of these institutions and contacts continued after the conquest and had, as we shall see, important implications for the terms on which the trade took place. The growth of English confidence in India was linked with the increasing strength of their settlements, within areas where the traditional Indian social order was degenerating, and which in turn reinforced the English belief in their own abilities to defy Indian polities. The recognition of their own strength was given official sanction in the 1680s, during the governorship of Josiah Child, whose aggressive policies reflected this recognition, and which did much to expand the English influence in India.

The Company in Asia always represented, to a lesser or greater degree, a semi formal extension of the State that created it in the first place and over the period sought to sustain and protect it. From the very beginning, the Company was dependent upon the



Crown and Parliament for the periodic renewal of the trading privileges and military powers that it exercised beyond the Cape of Good Hope, and as an organization it always relied heavily upon the official seal of sanction and approval. If this helped to draw the Company closer to the state, it also meant that the Company acted as a vehicle for the simultaneous promotion of private and public interest. Considerable local autonomy was devolved to the Company by a state that could not itself extend any 'national' influence to the east but nonetheless recognized the importance of establishing some form of English presence in Asia. As a result, although the State Company relations were always primarily determined by the narrow practical day to day concerns of politics, trade and finance; prevailing ideas, attitudes, and assumptions about the purpose and organization of commercial endeavour and imperial activity also bore heavily upon the development of the Company as an institution. None of these wider influences remained unchanging, of course, and as they altered over time the framework supporting Britain's Asian empire was re-cast, and Company's domestic position was modified accordingly. To ignore these changing circumstances is thus to run the risk of ignoring factors that helped to shape the emergence of the Company as an organization that could appear outwardly unaltered in form, but which at the same time took on a series of quite new and different commercial roles and responsibilities.<sup>1</sup> As stated the mercantilist ideas while retaining its motives took new garb with changing times and this will be demonstrated through the study of Fort St. George on the Coromandel Coast.

### ***Port City of Madras: Motives behind its planning:***

The forts at Madras, Bombay and Calcutta began as modest trading outposts of the East India Company. Madras was founded in 1640, Bombay ceded to the English by the Portuguese in 1664, and Calcutta established in 1690. As the East India Company was transformed from a trading organization into a political force, so these so-called factories or trading stations grew into substantial conurbations. Of all the early

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<sup>1</sup> H.V.Bowen, " 'No Longer Mere Traders': Continuities and Change in the Metropolitan Development of the East India Company, 1600-1834", In H.V.Bowen, Margarett Lincoln and Nigel Rigby ed. 'The Worlds of the East India Company.'

architectural activities in the port cities, defense was undoubtedly of paramount importance, surrounded as the cities were by hostile local powers on the one hand and by European rivals on the other. The elegant neoclassical architecture, especially of Calcutta, Bombay, and Madras, was motivated by the need to create a powerful and coherent image of the British Raj.<sup>2</sup> Yet the origins of these three metropolitan cities date long before 1757, the date when the British Empire was founded. Before the coming of the British, Madrasapatam was an insignificant town on the Coromandel Coast. But in the course of its history, it was to become the capital for the whole of South India. Although Madras was first and foremost a port city, over time it assumed the multifunctional roles and its dominance was felt over a wide territory. It is the particular nature of colonial dominance that will concern us in the following analysis of the development of Madras from its founding in the seventeenth century through the mid eighteenth century. Madrasapatam was already a cloth-producing center when the East India Company came in search of cotton goods that could be traded in Bantam, Java, for cloves, spices, and nutmeg that brought such a good price in England.<sup>3</sup> Dr. S. Krishnaswami Aiyangar, who has studied the early evolution of Madras, argues that the prosperity of the settlement was linked to its economic success. He asserts that cotton cloth was 20 to 30 percent cheaper at this site than in Armagon in the Telegu-speaking region to the north of Madras where the Company had established an earlier factory; and that ships could come closer to the shore to pick up and deliver goods.<sup>4</sup> Goods were also free from an import-export duty, although a customs duty was paid to the local ruler of the area for items bought or sold within his domain. Permission was also granted to the British to build a fort, and to mint coins<sup>5</sup>. Within a few decades Madras became an important emporium of trade. Goods were carried to Madras from China and the Malay Archipelago where they were sorted and repacked before being shipped

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<sup>2</sup> S. Nilsson, *European Architecture in India 1750—1850*, London, 1968. *The Rise and Growth of the Colonial Port Cities in Asia*, ed. Dilip K. Basu, Center for South Pacific Studies, University of California, Santa Cruz, January 1979.

<sup>3</sup> John Bruce, *Annals of the Honourable East India Company* (London: East India House, 1810), p.358, 379

<sup>4</sup> Dr.S.Krishnaswami Aiyangar, "The Character and Significance of the Foundation of Madras", (London: Oxford University Press, 1939), p.39-40

<sup>5</sup> Charter of James II, 12<sup>th</sup> April, 1686. The Company was also authorized to coin any kind of money issued by the princes of our country.

to Europe.<sup>6</sup> This led to an increase in the number of English ships, seamen and traders involved in transferring food grains, fruits, vegetables, oils, oilseeds and livestock from Madras to the ports scattered around the Bay of Bengal and the Malabar Coast. In 1653 Madras was made a Presidency and five years later all English settlements on the Coromandel Coast and in Bengal were subordinated to it. Although commerce and trade continued to thrive during the late seventeenth and early eighteenth centuries, rivalry between France and England over control of the Coromandel Coast interfered with the commercial expansion of Madras, and ultimately relegated her to a secondary position in relation to the growing port cities of Calcutta and Bombay.

In order to enhance the commercial growth of Madras, it was necessary to fortify the site. By 1640 walls had been constructed to enclose the factory, and Fort St George came into existence. Offices, warehouses and stores were soon built on the site. Eurasian and native troops supplemented the meager British garrison, and by the end of the year an estimated 300 to 400 families of weavers had migrated to the settlement.<sup>7</sup> Until the early nineteenth century, the fort and factory continued to remain the nucleus of military, commercial and government activities in Madras, and to dominate both the physical and functional development of the presidency capital.

The purpose herein would be to investigate what was the motive behind the establishment and planning of Fort St. George. The ground plan of the city of Madras clearly reflects that defence considerations dominated the planning, mainly because enclaves were surrounded by hostile local and European Powers. The Governor's mansions, on the other hand, had a position of peculiar importance in the fort as they were meant to be a clear and visible symbol of authority. These cities were, first and foremost, European in conception, design, and primary functions. They were meant to be, and in most cases were, European cities transplanted on an alien Asian soil. Fort St. George and White Town were thus synonymous terms. In Europe the quarter was known as Fort St. George; but in India it was called White town, from its being occupied by Europeans. The fortified Factory which had been constructed in the first instance by Mr. Day was a very

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<sup>6</sup> David Leighton, *Vicissitudes of Fort St. George* (Madras: Addison Press, 1902), p.6

<sup>7</sup> H.D.Love, *Vestiges of Old Madras* (London: Govt. of India, 1913), Vol.I, P35

different thing from the Fort which existed in the time of the Honorable Sir William Langhorne. The first thing that was required was a population; and accordingly Mr. Day and the Agents who immediately preceded him, invited the Portuguese and Indo-Portuguese to settle in the neighbourhood; and even lent them money to build upon the open sand under the protection of the Fort guns. Subsequently these foreigners had become naturalized Madrasees.<sup>8</sup>

Probably, the idea was to have an enclave that could effectively maintain and strongly reflect the extension of the state control, apart from the fact it was separated by great distance. The question is how far were they able to maintain their purely European character? To put it briefly, certain adjustments had to be made. From their inception, these British settlements were obliged to take in a substantial Indian population, in addition to Jews, Armenians, Portuguese, and mixed "Eurasian" people. The presence in Madras of members of the Tamil weaving caste, who produced the essential export commodity, chintz, was vital to the city's existence. The weavers, on their part, were willing to move into well-defended Madras because it offered greater security.<sup>9</sup> "Now the greatest part of them [walls] are finished, and may happily stand to do you good service; for, without such defensible places, your goods and Servants among such treacherous people are in Continuall hazard . . . in those parts abundance of good and good cheape Cloth is said to be procurable . . . the ffort is Conveniently enough scited."<sup>10</sup>

As the communications show, the economic advantages of Madras were uppermost in the minds of the founders. There is also evidence that the greater security of these enclaves attracted Indians, who were prepared to pay tax for their defense. Although the vast distance intervening between Britain and India limited control of English monarchy, they always sought to *maintain a tight rein over their purse*. Ambitious, comprehensive planning

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<sup>8</sup> J. Talboys Wheeler, *Madras in the Olden Time*, p.31

<sup>9</sup> Surat letters to the East India Company, in H. D. Love, *Vestiges of Old Madras*, London, 1913, I, 38-40:

. . . now the building is in great forwardness, and 3 or 400 families of Weavers, Painters and other Artificers come to live under your protection. So that it is become a place of great hopes, whence . . . you may acquire yearly very great quantities of long Cloth for England. . . . The other conveniences and proffits that may from this Fort accrue to you . . . will deserve your consideration (29 December 1640). Now the greatest part of them [walls] are finished, and may happily stand to do you good service; for, without such defensible places, your goods and Servants among such

<sup>10</sup> Records of Fort St. George, 27 January 1641/2

required substantial expenditure, but the East India Company, a trading concern whose motive was profit rather than glory, was extremely parsimonious and discouraged any expense that did not bring immediate dividends. The English port cities, like the other European port cities in India, began as entrepôts for trade articles. Called “factories” these trading stations were meant to provide accommodation for Company agents and “factors” working under them. Trade being the main motivation, the Company was prepared to pursue a liberal policy in order to encourage people of different creeds and colors to settle down, allowing, for instance, the Catholic Portuguese to enjoy considerable freedom of worship. Apart from Armenians, the Jews, and the Portuguese, there were Tamils in Madras, Parsis and Gujaratis in Bombay, and Bengalis in Calcutta. As the factories began to grow into cities, the European population tended to concentrate around the fort, which formed the nucleus of the port city, while the Indian parts lay on the periphery. Gradually the population became informally segregated into European and Indian quarters, which gained the appellations White and Black towns. In Madras this segregation was formalized in 1661 by a dividing wall.<sup>11</sup> Also, despite efforts of the Home government, the Company was increasingly drawn into political conflicts. As the founders of the port cities were well aware, efficient fortification was essential for defense against external enemies. We learn a great deal about early colonial defense systems from studying the growth of these fortifications—the system of fortification that was brought over from Britain. In Europe, when the impregnable character of medieval castles began to be undermined by the arrival of gunpowder, a series of theoreticians in Renaissance Italy carried out brilliant innovations.<sup>12</sup> Work on Fort St. George (Madras), the first English citadel in India, began in 1640.<sup>13</sup> Because the Home government dragged its feet over finance, the first stage took 14 years to complete, reflecting the generally unplanned growth of these settlements. The inner fort, work on which was entrusted to local labor under British supervision, extended 108 yards north to south and 100 yards east to west, according to Lockyer, a contemporary

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<sup>11</sup> Love, *Old Madras*, I, 206-387

<sup>12</sup>For an account of the modern fortification system developed during the Renaissance in Italy and its spread to other countries, see Q. Hughes, *Military Architecture*, London, 1974, Hogg, *The History of Fortification*, London, 1981.

<sup>13</sup> Love, *Old Madras*, I, 28, 104

observer.<sup>14</sup> Constructed as a simple rectangle or tetragon, it had an "arrowhead" bastion at each corner. As early as 1644 the governor, Thomas Ivie, had written to the Company expressing his confidence that when the fort was finished "wee need not feare inland Enemy neare unto us in these parts,"<sup>15</sup> a confidence vindicated when the Mughal governor Mir Jumla's attack was successfully repulsed. By 1659 the inner fort was further strengthened by an outwork with bastions at four corners while the European part was walled up in the next two years.<sup>16</sup> These fortifications were mentioned in the works of two contemporaries: Philippus Baldaeus, the Dutch pastor in Coromandel, notorious plagiarizer and pioneer writer on Hinduism, and by Thomas Bowrey.<sup>17</sup> But it was from Dr. Fryer, the visitor in 1673 who was to pen the most celebrated account of Madras, that we learn that the governor's mansion was built at an angle to the inner bastions in order to deflect cannon fire. The second defensive feature was to restrict the height of the houses inside the citadel so that they were not an easy target for enemy fire. According to Fryer, the outwork was "walled with Stone a good heighth, thick enough to blunt a Cannon bullet,"<sup>18</sup> its strength also corroborated by William Dampier in 1690.<sup>19</sup>

The paramount importance of defense in the port cities is further suggested by the placing of the fortress at the water's edge and the subsequent urban development on a lateral basis following the contours of the coast, and with relatively little thrust into the interior. Long ago Hamilton noticed that the English lived near the river in Calcutta while Indians lived further inland.<sup>20</sup> Even today Calcutta suffers from this development along a narrow north-south axis, causing intolerable traffic congestion. It is only recently that the city fathers have become conscious of the problem of Calcutta's peculiar layout and have encouraged the development of the Salt Lakes in the interior in order to relieve the traffic congestion in the city center. The special character of Bombay's topography with its meandering islands prevented the rise of an evenly expanding urban complex. But even in Madras, which could

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<sup>14</sup> C. Lockyer, *An Account of the Trade in India*, London, 1711, p.3

<sup>15</sup> Fort St. George to the Company, 8 September, 1644, Love, p.64

<sup>16</sup> Love, *op cit.*, p.204-7

<sup>17</sup> T. Bowrey, *A Geographical Account of the Countries Around the Bay of Bengal 1669-79*, ed. R. C. Temple, Cambridge, 1905, 3.

<sup>18</sup> Fryer, *East India*, Vol. I, p.37

<sup>19</sup> William Dampier, *The Voyages and Adventures of William Dampier*, London, 1698, II, p.342

<sup>20</sup> Hamilton, *New Account*, n, 6

allow for the greatest possible expansion into the hinterland, the basic initial expansion was lateral. The center of gravity rested in the White Town on the seafront, while vast stretches of gardens lay behind.<sup>21</sup> As urban historians have noted, locating a port city on the coast made economic sense. Furthermore, in the early period, when the English had no political control over the interior, their best defense was to have a quick escape route to the open seas, in case they were surprised from land.

With the appointment of Thomas Pitt as governor, Madras entered its golden age. To Pitt, interloper, owner of a famous diamond, and grandfather to the future Earl of Chatham, we owe the comprehensive 1710 map of Madras as well as a view of the town, showing the rustications of the outworks. He brought to completion the early fortifications by enclosing the Black Town with a strong wall to counter the threat from a local ruler, a system that lasted until 1742.<sup>22</sup> In fact, the darkening political horizon about the middle of the 18th century caused considerable apprehension among the British in these settlements and these fears were relayed home. But the settlers were overtaken by events, and the invasion of Madras by the French in the 1740s and of Calcutta by Shiraj-ud Daulah cruelly exposed the weakness of the early fortress system. The European parts of these port cities had up until now been fortified with the income from fines imposed for petty crimes in these settlements which the Home government was prepared to forgo. The Indian residents subsidized the Indian parts. After the French invasion, F. C. Scott was appointed as the Engineer-General to modernize defense by redesigning the forts, St. George and St. William, between 1753 and 1755. On Scott's untimely death, John Brohier continued the work, but the Madras project was only partially realized before he left for Bengal; it was finally completed in 1770 by Patrick Ross.<sup>23</sup>

Special importance was attached to the seat of power in the colonies. In Madras, the governor's residence, called "a noble mansion house" and erected in 1663. By 1693 a new building had become a necessity. The rapid expansion of port cities created new problems of municipal administration. Partly in order to encourage more active participation of residents, including their paying taxes regularly, Madras embarked on

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<sup>21</sup> Partha Mitter, *Early British Port Cities of India*, p.106

<sup>22</sup> Love, *op cit*, ii, p.7-12

<sup>23</sup> Partha Mitter, *The Early British Port Cities of India: Their Planning and Architecture*, *The Journal of the Society of Architectural Historians*, Vol.45, No.2 (Jun., 1986), p.95-114

a unique experiment far in advance of its time, namely, the creation of a representative civic body with a mayor and aldermen drawn from all sections of the population, including three Tamil merchants, by means of the Royal Charter of 1687. The rituals and ceremonies of the corporation were modeled closely on those of London, the general model for English municipal institutions. The charter empowered the corporation to build a suitable town hall, which was undertaken in 1691. No such building came from the charter granted to Calcutta in 1727, and Bombay always remained under the direct control of the governor.<sup>24</sup>

Thus it can be seen that through the effective planning of the port city, a spirit of dominance was portrayed. The entire city was planned and managed in a manner which may help it become a safe enclave and thereby attract the native citizens and the traders. The idea was to enhance the confidence posed in the English in India and thereby also reflect the authority of the English as a nation in India. It has been asserted by many historians that these European enclaves and the effective administration did not prove as much an attraction as it is claimed. There is hardly any justification in the above claim because, though various factors must have led to the growing prominence of the English settlements at the Coromandel Coast, it is obvious that it did provide some relief to natives from the power vacuum and the resultant turmoil. History is a witness that these enclaves proved to be the founding stones to the 'British Empire' in India.

### ***Pillars of Mercantilism: Administration Strengthened***

The study of English East India Company in context of mercantilism necessarily demands the study of the administrative infrastructure which evolved in later part of the seventeenth and the early eighteenth century. Sound management and well entrenched infrastructure were inevitable for the larger motive of furthering the trade. They can be said to be the pillars on which mercantilism stood. Though there was vast discrepancy

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<sup>24</sup> Love, *Old Madras*, I, 497-503, 558-560



between the desired and actual course of action. But it is undeniable that the management did stand the test of times effectively and greatly contributed to the position which the Company was to acquire in the years to come. The various strands of the Company's policy in India encompassed the powers acquired through the successive charters and the good governance of laws made for the purpose of enhancing the trade. The administration of justice in the best possible fashion was desired to make their settlement emporium of trade and to make the English nation formidable in India. The all important issue of enhancement of revenue and the related infrastructure thereof was carefully planned and organised. Crucial was the way Company dealt with the specific locations it was placed in, adjusting and at times innovating institutional mechanisms for strengthening its tentacles. The English Company's mercantile practices and the network which it gradually developed with the native merchants were to take it a long way. Interloping and corruption were a cause of perpetual concern to the Company. It is not possible to state with absolute precision how well these issues were handled and cured. However, it is obvious from the records that there was general awareness about the above mentioned problems and attempts at doing away with these were numerous. The idea behind stating these facts is to throw light on how the mercantilist fervor was put into practice. Mercantilism as a theory has been discussed in the first chapter, and the following is an endeavour to highlight the Company's efforts in achieving the mercantilist aims. The increase of trade and its regulation with the larger aim of attributing great power to the English state were all pervasive in the way Company moved in the Indian soil. In the following pages an overview would be done regarding the growing infrastructure of the Company.

### *Administration of Justice*

The desire to have a just and equal administration of laws in order to attract more population to the settlement and thereby increase the trade has been mentioned at several occasions in the records. *"And if by such generous self denial and the just and equall administration of good Laws to all persons, you can bring that place to be a center of Trade from all places of India , wherein it is not convenient for us to establish Factories,*

*it may give you the opportunities to buy for Us upon reasonable terms, Pepper, China, Pegu, and it may be in time, Nutmegs, Cloves and many other Commodities, which otherwise you can never hope to purchase for Us.” “You have now a larger field to work in, for the honor of your King the good of your country, and the profit of this Company (that you know hath suffered so much of late years) than ever any of your predecessors had: But if your minds be, not as large as your Province, the success will not answer our expectation. Narrow selfish souls are nay framed for such work; But we have reasons to hope better of you.”*<sup>25</sup> To explain the sequence of events, it will be necessary not only to advert to the judicial powers exercised at Fort St. George, but to enumerate the successive charters<sup>26</sup> from which those powers were derived.

*Charter of Elizabeth, 31<sup>st</sup> December, 1600-* This, the earliest charter of the Company, constituted the Governor and Company of Merchants of London Trading to the East Indies a body corporate, and granted it the exclusive right of trading to the East Indies for a period of fifteen years. The charter gave the Company power to make laws for its own government and for that of the factors, masters and mariners employed in voyages, provided such laws were not repugnant to the laws of England. It also conferred authority to punish offenders by imprisonment or fine.

*Charter of James I, 31<sup>st</sup> May, 1609-*This charter confirmed and extended that of Elizabeth.

*Charter of Cromwell, 1657-* No copy of this charter has yet been traced.

*Charter of Charles II, 3<sup>rd</sup> April, 1661-* This important charter gave the Company authority over all forts and factories in the East Indies, empowered it to appoint Governors and other officers, and authorized the Governor and Council of a place to judge all persons living under them in all causes, civil or criminal, according to the laws of England, and to execute judgment. The ammunition, to erect fortifications, to provide

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<sup>25</sup> Dispatches.. Vol. VII For the Years 1684-1686 London 13<sup>th</sup> Feb., 1684

<sup>26</sup> Charters granted to the East India Company. Printed for the Company, 1774. Charters relating to the East India Company (John Shaw, Madras, 1887) are a reprint , with additions of the above.... Vestiges, p.271

men for their defense, to govern the forces by martial law, and to make peace or war with any non- Christian power.

*Charter of Charles II, 9<sup>th</sup> August, 1683*- This charter authorized the establishment at any factory of a court of Judicature, consisting of one person learned in the civil laws and two merchants. It was designed primarily as a Court of Admiralty.

*Charter of James II, 12<sup>th</sup> April, 1686*- This charter confirmed those of 1661 and 1683, and empowered the Company to appoint admirals and other sea officers, who might raise naval forces. The Company was also authorized to coin any kind of money issued by the princes of our country.

An important *charter which issued by the Company in 1687*, for establishing a Mayor and Corporation at Madras, will be considered later; and subsequent royal charters granted to the Company will be enumerated in due course.<sup>27</sup>

From the brief abstract it will be seen that the charters of Elizabeth and James I, contemplated merely the framing of bye- laws and the maintenance of discipline during voyages. Concerning the terms of Cromwell's charter we are ignorant, but it is probable that, prior to the issue of the charter of 1661, the Agent and Council possessed no judicial authority over the inhabitants but such as was derived from the native suzerain. The mode in which justice was administered is nowhere subscribed, but it can be inferred from sundry allusions in the records.<sup>28</sup>

### *Choultry Court:*

From a very early period, and probably from the first settlement of Madras, justice was administered to the Indian inhabitants by a native Adigar, or Governor of the Town, sitting at the Choultry or Town -house. About 1665, a Madras slave-girl came by a

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<sup>27</sup> Vestiges, I, p.273

<sup>28</sup> *ibid.*, p. 275

violent death, and her mistress, Mrs. Ascentia Dawes, was accused of the capital crime. Uncertain of their powers, the Agent and council asked for instructions from England. After deliberation, the Company resolved that, under the authority given by the charter of 1661, the Agent at Fort St. George should be created Governor, with judicial power to try this and similar cases. The Company to Fort St. George ‘ *Having resolved from you an account of that Cruell act laid to the charge of Mrs. Dawes, upon one of her slaves, we thought it out duty that the Law might have it due proceedings in that case upon her. For that end we searched the charter, wherein we find that the respective, Governours and Councells Established by us in say of our Fortes, Townes, etc., have power to exequite Judgment in all Causes Civil and Criminall.*’<sup>29</sup>

Streynsham Master<sup>30</sup> reorganized the Choultry Court by increasing the number of Justices from two to three, and providing that not less than two should sit for the trial of cases and registration of bills of land and other property. The composition and duties of the Court were framed according to the instruction given by the Court of Committee in 1678, it read- ‘ *And because wee understand there is sometimes a want of Choultry Justices, wee doe order and appoint that the Customer, Mint Master, and Pay Master shall all three of them be constantly Choultry Justices; and that when you have any Senior Merchants or Factors that are fitt, and can well be spared, you doe appoint two or more of them to sitt as assistants to the Choultry Justices, which may gain them experience, prevent Idleness, and capacitate them for further business...*’<sup>31</sup> The Council at Fort St. George acting on the Courts order made definite rules for the working of the Choultry Court, ‘ *That the Customer, Mint Master, and Pay Master,, or any two of them, do every Tuesday and Friday sett in the Choultry to do the common Justice of the Towne as usuall, and do take care that the Scrivan of the Choultry do duly register all sentences in Portugez as formerly; and that there be an exact Register kept for all Alienations or sales of Slaves, houses, Gardens, boates, Shipps etc. ; The Companynes due for the same to be received by the Customer, and the Bills or Certificates for such Sales to be signed*

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<sup>29</sup> Letter Book, Vol. 4, 10<sup>th</sup> March, 1665-6

<sup>30</sup> Governor of Fort St. George , 1677-1681

<sup>31</sup> Letter Book,

by the persons in the Office aforesaid, or any two of them.'<sup>32</sup> However in the same year certain changes were made in the mechanism by which business was done by the Choultry Justice. Since the use of Portuguese, Gentue and Malabar languages for the sale and alienations of houses caused inconveniences, therefore it was decided that the language used in writing for such transactions should be English. And the Choultry Justice 'shall not license or register... the sale or alienation of any ground unless the seller or conveyer thereof can prove his title to the same under the Honourable Company's seale.'<sup>33</sup>

To enable the Councils at the chief Indian settlements to deal with Interlopers, the Company had obtained from King Charles II, a new charter authorizing the erection of Courts of Admiralty. To Fort St. George they wrote:- '*Herewith Wee send you an authentiq Copy of our new Charter granted by his Majesty for suppressing Interlopers (under the great seal), of which more by our next ships. In the mean time We appoint our Agent and Governor at the Fort to be our judge Advocate at that place, and put all the Powers therein in Execucon.*'<sup>34</sup>

### Court of Judicature

Having realized the need of Superior Court for the trial of civil and criminal case, Streyنشam Master resolved for the establishment of a Court of Judicature. To direct a regular way of proceedings in the Court, the Company laid down detailed rules. The Governor and the Council were given the power to judge all civil and criminal cases involving any of the persons belonging to the Governor and the Company, or anyone that lived under them, according to the laws of the Kingdom of England, and to execute the judgment accordingly. It further stated that owing to the increase in the population of the place and the flourishing commerce many complaints had been reported and difficulty was experienced in the administration of justice especially in the criminal matters. Two murder cases had been pending for a long time. A Portuguese inhabitant called Manuel Brandon de Lima had killed a Black Christian in his service with 17 wounds of dagger on

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<sup>32</sup> *Diary and Consultation Book, 1678-9, p.7*

<sup>33</sup> *Records of Fort St. George, Vol. II., 9<sup>th</sup> September, 1680, Vestiges of Old Madras, p.404*

<sup>34</sup> *Dispatches from England, vol. v, 14<sup>th</sup> Aug. 1683*

the 19<sup>th</sup> October. And another, an Englishman William Gilbert was also accused of a murder.<sup>35</sup> The Council therefore laid down rules for due courses of action and administration of justice related to such cases.<sup>36</sup> It read-

- 1) The Governor and the Council shall sit in the Chappell in the Fort on every Wednesday and Saturday to hear and judge all cases.
- 2) The Justice and the Justices of the Choultry and the Company's Constable Bayly and an officer under him shall execute all orders, writs and summons from the Governor and the Council for returning of the Jury's, executions after judgment, apprehension of the criminals etc.
- 3) The trial shall be held in the presence of a jury of 12 members and the Jury was to be returned by the justices and the Justices of the Choultry. Each jurymen was to oath in these words- "*You shall swear well and truly to try the matter in question between A and B according to evidence, good Conscience, and the Lawes established. so help you God.*"<sup>37</sup> And every witness had to take an oath in these words- "*You shall true answer make unto all such questions between A and B, you shall declare the truth, the Whole Truth, and Nothing but the Truth, according to your knowledge.*"
- 4) A 'Clarke' shall be appointed in the Court and the same person was also the 'Clarke' of the Peace. Clement King was nominated and appointed to the place.
- 5) An officer shall be appointed in the Court who shall assist the Justices. Philip Ashton was appointed to the post.
- 6) A Marshal shall be appointed to take charge of the prison. Robert Bayly assigned the task.

The Company further resolved that- "*Excepting, and it is hereby ordered, that all causes of small misdemeanor, matters of the Peace, and actions of debt of the value of 50 Pagodas New and under, shall be examined and decided by the Justices of the Choultry as formerly, and also other causes of a higher or a Great value by consent of the partyes; and in all such causes (if any party find themselves aggrieved) Appeals are and shall be*

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<sup>35</sup> *Vestiges of Old Madras, p.406*

<sup>36</sup> *Records of Fort St. George, p.58-63*

<sup>37</sup> *Records of Fort St. George, 1677-78, p.58*

*allowed to the Court of the Governor and Councill, there to have a tryall by Jury, and according to the verdict shall have judgment and Execution awarded.”*<sup>38</sup> The first trial in the Court of Judicature was held on the 10<sup>th</sup> April, 1678 by a jury between Mr. John Tivill, Plaintiff and Mr. William Jearsay, Defendant: the verdict was in the favour of the Plaintiff. On the 6<sup>th</sup> May, 1680 place was assigned for the setting up of the Court of Judicature in the town. *‘There being a great want of place for the Court of Judicature to sett in within this Towne, and there being a convenient place by the Choultry gate, which, may be made capable of that use at a small charge. It is resolved and ordered that the same be built and fitted accordingly...’*<sup>39</sup>

The original Court of Judicature, as established by Streynsham Master in 1678, was accordingly revived; and a trial for murder took place before it in 1686. On the 10<sup>th</sup> July, 1686, the Court of Admiralty was established, with Mr. John Gray as *‘Judge of the Admiralty’*, and Messrs. John Littleton and Nathaniel Higginson as his Assistants. All three were civil servants and members of the Council. In the following February Mr. John Hill, a factor, was appointed *‘Attorney Generall for Admiralty Court.’* The Justices of the Peace were not interfered with. At a consultation held in 1686 it was *‘Order’d that Mr. Wavell, Mr. Higginson and Mr. Cheney be also Justices of the Town (besides their particular imployments) for the Speedy Administration of Justice, as well att the Choultry as att other times and places, for the better Satisfaction of the people whose necessities makes them Letigious.’*<sup>40</sup> On the 17<sup>th</sup> November, 1687, the Government proclaimed martial law under the authority of the second charter of Charles II.

The great domestic event in the Governorship of Mr. Elihu Yale was the institution of a *Mayor and Corporation*. In 1687, charter was issued regarding the formation of Mayor and a Corporation. The Mayor’s court was established the following year. The powers of the Mayor’s Court being limited, and the President and Council being without authority to hear appeals, the Government resolved, in 1690, to erect a Court of Judicature consisting of a Judge –Advocate and four Judges. As soon as the Mayor’s Court was

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<sup>38</sup> *Public Consultations, Vol. ii., 18<sup>th</sup> March, 1677-78, ref. In Vestiges., p.405*

<sup>39</sup> *Records of Fort St. George, 1680, p.26*

<sup>40</sup> *Diary and Consultation Book, Vol.xi, 11<sup>th</sup> Oct., 1686*

established, Alderman sat as magistrates at the Choultry. They continued to do so until, through the suspension of the Court of Admiralty, their duties at the Mayor's Court became so arduous that special Choultry Justices were once more nominated.<sup>41</sup> Though the idea of the corporation was derived on the basis of the Dutch model which Sir Child had intention of conforming to, but the details as regards the working of the Corporation were closely modeled on English lines. The General Letter to Fort St. George further gave details regarding the appointment of the Mayor, Aldermen, and Burgesses, the proper habits and ornaments they are enjoined to wear and also orders were laid that the Court Books must always be kept in English language and the Town Clerk must always be English.<sup>42</sup> In the same letter Sir Child explicitly stated "*Our Design in the whole is ...to put us upon an equal footing of power with them (Dutch) to offend and defend, or enlarge the English Dominion and unite the strength of our nation under one entire and absolute command subject to us; as we are and ever shall be most dutifully to our sovereign. But this direction we will make, that we will always observe our own old English terms, viz. Attorney General instead of Fiscal, Aldermen instead of Seepin, Burgesses instead of Burghers, Sergeants instead of Ballies, President and Agent instead of Commander, Director, or Commissary, etc. And this with His Majesty's approbation we are resolved to pursue steadily, and throw everything out of the way that obstructs or retards this good and great reformation.*" Thus English constantly made efforts to have an administration which was just. The degree of success they achieved in their endeavour is hard to say but it can be undoubtedly said that it was crucial in forming an image of the English as a 'just' nation which was encashed on greatly in forthcoming period. Though corruption was rampant but they did manage to create a feeling of subservience among the natives. This not only enhanced their management capabilities regarding the trade but also led to formation of the identity of 'English state'. Power flowed now from the English laws and thus the mercantilist aims were fulfilled.

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<sup>41</sup> Vestiges, I, p.275

<sup>42</sup> General Letter to Fort St. George, 28<sup>th</sup> September, 1687



## The 'Cost factor' and 'Revenue':

Protection and sanctuary imply the existence of effective force with which to provide and maintain them. These notions intensified in the course of time and were themselves sustained by English attitudes towards raising revenues in their settlements. Originally seen simply as one "way to save on the costs of maintaining the infrastructure of the company, revenues from this source became of central importance to the way in which the English regarded their presence in India". "Our meaning as to the Revenue of that towne is, that one way or other by Dutch Portuguese or Indian methods it Should be brought to defray at least the whole constant charge of the place which, is essentiall to all Government in the world, people protected ought and do in all parts of the Universe in Some way or other defray the charge of their protection and preservacon from wrong and violence, the manner of raising which, revenue we shall leave to your discrecons as may be most agreeable to the humors of that People."<sup>43</sup>

Although the sums were small compared with the returns to the English following the campaigns in Tanjore, Bengal, the northern Circars and Surat, by the mid-eighteenth century they nevertheless comprised a great number of taxes, duties, levies and cesses, which affected almost every aspect of life within the settlements. There were fixed revenues: ground-rents, quitrents, and a number of tax-farms; and there were the variable revenues from sea and land customs, mint duties, licence and pass money, consulage, and a host of minor duties on conveyancing, and contractual transactions<sup>44</sup>.

There are several references in the English records regarding the immediate need for enhancing the revenue. "The increase of the town revenue is certainly a most reasonable thing to be not onely attempted but constantly proceeded in by all the methods you can invent, which: wee doe more earnestly press for your good of our Common Country and

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<sup>43</sup> Despatches, 20<sup>th</sup> September, 1682

<sup>44</sup>The Company faced severe problems in imposition and collection of these taxes and the native population protested at several times but eventually succumbed to the English pressure. This aspect is dealt with in the later part of the chapter.

*posterity, for certainly which Dutch would never have arrived to your Grandeur, noe done halfe the great things they have done in India if they had not bin expert in that: kind of Policy Making places conquered or fortified, to pay y: charge of their future preservacon, as well as which first Cost of their Settlement: in so much (as wee are well assur'd) that: notwithstanding their vast charges and Guards at Batavia, which Revenue of that place, renders them now 90000 pounds sterling and over and above all their annuall expences, But you are so Just prudent and carefull of our Interest, that wee shall not positively enjoyn you any Method or tyme for which: doeing this necessary Worke, but leave it to your discretions to effect it gradatim.' .... " Wee approve of your: additionall buildings, and would have you use all meanes to Strengthen your ffort and Town, and likewise to enlarge which place, and as neare as you can keep all persons to build regularly that it may tyme be a decent as well as a great and strong City. There is in all parts of which World (that you know) a duty, which : wee in England call Murage which: is a Contribution which people towards walling, and making ffortresses to defend that place , something of that kind wee think you might perswade the heads of the people to consent to, for their and their posterity's security, but tho: wee give this hint, and would have you in raiseing of Revenues (as neare as you can) imitate the Dutch methods yet wee will not expose you to any thing, that may put you into the disaffection of the people. "45*

The figures for revenue are scattered throughout the company's records, and appear to have been only irregularly collated by company servants during the period. Nevertheless it is possible to discern an upward trend in the amount of revenue collected, which is wholly consistent with the assumption that, once instituted, revenues and their increase become of prime concern to those responsible for their collection. This was all the more crucial since the expenses of English settlements were generally in excess of revenues for most of the period in question, and most particularly at times of crisis.

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<sup>45</sup> Despatches, 20<sup>th</sup> July 1683

At Fort St. George by 1679 some £2,903 was entered as revenue, while £5,209 was recorded as expenditure; of the latter figure, £2,818 represented the costs of the garrison at the fort.<sup>46</sup> Eighteen years later, in 1697, the company collected £16,285 at Madras, and £11,996 at Fort St. David, Cuddalore. By 1714 the amount collected at Fort St. George had risen to £36,324, but declined by 1727 to £25,600. Of this latter figure, £12,800 came from sea customs. Ten years later the sum of £25,777 was collected, while expenses were recorded as £15,861, of which £6,850 was spent on the garrison. Over the next decade revenues tended to remain at about the same level, but expenditure increased sharply, as the hinterland was subjected to incursions by the Marathas, and as Anglo-French relations deteriorated into open conflict. In 1743 expenses amounted to £20,875. After the return of Madras to the English it took a while before revenues could be restored to their former level, and in 1750 only £12,800 could be raised within the settlement. This had increased to £18,880 by the following year, while £46,315 was collected in 1754. In 1753 the company had managed to gain from its campaign in Tanjore some £80,000, which it hoped would continue as annual revenue.<sup>47</sup>

The important consideration about revenues and their imposition is not that they were levied from English nationals, but that they were also levied from, and paid by, other nationals. This was a shift in authority, whether conceded or taken, and constituted a development of the infrastructure necessary for implementation of mercantile policies. Revenue collecting contains the capacity for an infringement of authority because of a structural necessity to expand the revenues once the mechanism of collection is instituted. This was perfectly clear to the directors in 1694, when they informed the council at Fort St. George: "*It is undoubtedly our interest to make our garrisoned ports in India marts for nations, which will in a few years aggrandise our revenue, and with that our strength*".<sup>48</sup> As the necessity for "garrisoned ports" became the dominant ideology among the company's directors, so the costs of implementing the policy mounted. As the infrastructure expanded, so there was greater pressure on the inhabitants to pay for it. This demand could only be justified by the quality and

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<sup>46</sup> Watson, *op cit*, p.84

<sup>47</sup> Calendar of Madras Despatches, 1744-1755, ed. H.H.Dodwell (Madras, 1920), p.211

<sup>48</sup> Despatch to Fort St. George, 3 Jan. 1693-4

effectiveness of the protection offered, and this in turn necessitated a better and more expensive infrastructure. The directors were in no doubt about this connection, "protection being the true foundation on which all pretences for raising customs subsidies and other taxes are originally built".<sup>49</sup> What was also clear to the directors was the need for tenable positions, "secure against any attempts of the Moors". The profits derived from such interferences is not only an important contributor to state income but it is also part of an economic transaction in which traders are willing to pay a price for a definite service, the protection from violence and disruption of their activities, no matter how reprehensible such a service may be from a moral point of view. By applying a reasoning similar to the concept of economic rent it is possible to demonstrate that the 'price' of protection would be fixed at that level where the investor's marginal protection would be fixed at that level where the investor's marginal return on capital equalled his marginal cost. Beyond this point trade of a particular country or area would cease to be profitable and would be diverted to other channels where the cost of protection was lower.<sup>50</sup>

The political institution concerned with the selling of protection to traders may be conveniently described under the term 'redistributive enterprise' because it diverted income away from a primary agency. This definition is of course a variant of the concept of '*redistributive trade*' or economic exchanges developed by Karl Polanyi and his disciples.<sup>51</sup> For Polanyi, redistribution constituted the appropriation of the economic surplus produced by the division of labour, by a central authority which in its turn redistributed it according to its needs or social customs. The main idea behind the line of theoretical reasoning is the notion of a central place or central authority through which multilateral transactions are conducted as opposed to purely reciprocal exchanges. In our definition, the actual task of distributing the goods is separated from the function of the central authority which 'commutes it into a money claim'. It can be

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<sup>49</sup> Despatch to Sir Charles Eyre, 20 Dec. 1699, in *Old Fort William in Bengal*, ed. Wilson, I, p.47

<sup>50</sup> For a discussion of the concept of protection costs in long distance trade, see F.C.Lane, 'National Wealth and protection costs', in Lane, F.C., *Venice and history: the collected papers of F.C. Lane*. (Baltimore, 1966), p. 373-82

<sup>51</sup> For a discussion of the term 'redistributive enterprise', see Steensgaard, 'Carracks, Caravans and Companies', p.111-15. The views of Karl Polanyi are evaluated in Sabloff, Jeremy A, and Lamberg-Karlovsky, C.C. ed. '*Ancient Civilisation and Trade* (Albuquerque, New Mexico, 1975)

readily seen that the dividing line between organized brigandage claiming tributes from passing merchants and the redistributive enterprise of legitimate and respectable political authorities is very thin indeed. Indian rulers had for centuries attempted to control and tax the transit trade of their kingdoms and the involvement of the Mughal ruling class in the redistributive enterprise was notorious beyond words. The Portuguese were quick to perceive that their naval superiority over land based Asian empires gave them a means of sharing in the profit of the existing redistributive enterprises. A series of fortified settlements free from local political control and a rigorous naval watch over the most frequented sea lanes provided the 'Estado da India' with the two necessary conditions of realising its economic aims. It has been estimated that at the end of the sixteenth century the bulk of the Estado da India's income came not from the trade with Europe but from the sales of cartages and the customs, revenue at Ormuz, Goa, Diu, Cochin and Malacca.<sup>52</sup>

The model set up by the Portuguese admirably suited the purpose of the Dutch and English East India Companies. The only significant difference was that these two organizations were determined to be traders first and territorial rulers next. *Force was to play only a very carefully calculated role in the overall strategy. It was a means to an end, and the end was the maximization of the commercial profits.* If trading costs could be reduced by becoming a part of the existing structure of the redistributive enterprises in Asia, the policy of dominions was held to be justified. But it became unacceptable when the cost of maintaining the redistributive enterprise exceeded the predetermined benefits assigned to it. The political objectives of the V.O.C and the English East India Company shared a common structural form. *The possession of an independent territorial base capable of yielding some local revenue was one aspect. Customs, Concessions or preferential treatment by Asian sovereigns was another.* All local shipping was required to purchase safe conduct passage and these demands were backed by the threat of naval blockade of the ports. There are numerous references related to the insistence of the English Company at Coromandel insisting on copying the Dutch methods. *"You must never give over contriving easy methods for raising*

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<sup>52</sup> Steensgaard, Carracks...op cit., p.88

*revenue in that place until you have arrived by the Dutch wisdom, to such a measure of constant Income as may sufficiently serve the keeping in repair and enlarging your fortifications, and the constant maintenance of 500 European Soldiers, most part English, the rest Portuguese, which are cheaper by one half. Such a formidable posture of defence will make more rich men trust to your government and protection; and will make your terms easy with the King of Golcondah's Governours, who we are sufficiently sensible, by their late base and compliance with interlopers, will doe more for fear than love for us.*"<sup>53</sup>

From 1600 down to the last quarter of the 18<sup>th</sup> century the policy of mercantilism held undisputed sway in England, as in the rest of Europe. It was a cardinal doctrine of the mercantilists that the State should legislate on the matters of trade with the purpose of controlling private enterprise in the general interests of the nation. In exercising this control three objects were kept prominently in view. The first: to protect the staple manufactures of the country; the second, to secure a favorable balance of trade as the result of her imports and exports; and the third, to extend by all possible means the growth of the mercantile marine. *During the greater part of the 17<sup>th</sup> century the tariff itself was not regarded to any great extent as an instrument for the regulation of trade, but when in the 18<sup>th</sup> century the control of trade had finally passed to Parliament the tariff gradually acquired a new significance. It was still primarily an instrument of revenue, but it was increasingly used with the further object of directing the course of trade. Import duties were more definitely imposed for the purpose of aiding native manufacturers, while bounties upon export became increasingly popular as a means to the same end.*<sup>54</sup>

### **Quit Rent and other taxes:**

A feature of Master's administration was the initiation of a demand for ground rent from the inhabitants of Madras, and the levy of a tax for conservancy.<sup>55</sup> It was on receipt of the

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<sup>53</sup> Despatches.. Vol. VII For the Years 1684-1686, London 13<sup>th</sup> feb, 1684

<sup>54</sup> C.J.Hamilton, Trade relations between India and England, p.3

<sup>55</sup> Vestiges, I, p.441

*first royal farman, issued in 1674, which confirmed the entire ancient privileges, that the Company considered they possessed adequate authority to impose taxes other than customs. They wrote as follows to Fort St. George: The ffort and Town of Madrasspatam being made over to us by the King of Golcondah, Wee would have you to consider whither we have not a right to a Quitt Rent for the houses in the Town, or what other Improvement may be made, by virtue of that Grant. But herein to be very cautious of causing any disorder or discontent among the inhabitants or to cause the King of Golcondah to augment rent upon us.<sup>56</sup> Streyنشam Master had actually succeeded in levying some such a tax; and this very circumstance formed the ground of one of the charges which the natives preferred against him on the arrival of Mr. Gyfford. The new Governor had accordingly remitted the tax; but was subsequently compelled, much against his inclination, to levy one in its place.*

As early as the 20<sup>th</sup> September, 1682, Mr. Josiah Child had written to the Agency: *“Our meaning as to the Revenue of that towne is, that one way or other by Dutch Portuguese or Indian methods it Should be brought to defray at least the whole constant charge of the place which, is essentiall to all Government in the world, people protected ought and do in all parts of the Universe in Some way or other defray the charge of their protection and preservacon from wrong and violence, the manner of raising which, revenue we shall leave to your discrecons as may be most agreeable to the humors of that People.”<sup>57</sup>*

The first attempt at conservancy was made in 1678 by Streyنشam Master. The Council resolved to impose a house tax for this purpose, and to create the office of ‘Scavenger.’ *‘The Governour having proposed a way for keeping the Towne cleane after the manner in England by taxing every house at a moderate rate, and to appoint a Scavenger to collect said money’s....<sup>58</sup> On the 25<sup>th</sup> August 1684, the chiefs of the several castes were sent for “ to Conclude upon the Yearly Supplys towards the Honourable Companies great Charge of Souldiers and buildings to defend and Secure them, their famulys, and Estates from the danger and oppression of the Country Government which too often happened in other*

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<sup>56</sup> Despatches from England, 24<sup>th</sup> Dec., 1675

<sup>57</sup> Despatches from England, 20<sup>th</sup> September, 1682

<sup>58</sup> Diary and Public Consultation Books, 13<sup>th</sup> July, 1678

*parts which with other considerations that they were not only safe at the Honourable Companies Charge but also lived upon and were enriched by their trade ...*<sup>59</sup>

The heads of the caste pleaded that they had lived in Madraspatam for last forty years free from such impositions, and moreover that they had constantly paid customs. They were told however that if they could not obey the Company's law; they had liberty to sell their houses and remove where they pleased. At last after much persuasion they agreed to pay annually nine fanams, and three fanams for every little round house. The matter however was delayed from time to time; Mr. Gyfford shrinking from making the levy, while Mr. Josiah Childe, the Chairman of the Court of Directors getting more and more preemptory and bitter in his orders. Eventually, the proclamation regarding the payment of the charges was declared accompanied with the beat of drums and the natives had to submit.

The question of walling the Black Town and charging the natives for the same also boggled the Company for quite some time. It was stated as early as 1684, "*Wee shall consider of the Conveniency or inconveniency of admitting rich Merchants to go to our fort as free Merchants., but in that: mean time wee are resolved to have our black town at Madrass wall'd round, and competently fortify'd at the charge of the Inhabitants, whether it please, or displease them, or anybody else, and therefore wee require you to go about it forthwith, and take Compass enough, and as you proceed, to levy the full charge thereof, of and from the Inhabitants by a pound rate, according to the respective value of their houses, which after this is done will be worth 8 times what they are now, so that wee shall do them good against their wills, which when they are older, and wiser, they will thank us for....Your Design of Inviting rich Banians, and China Merchants, to live at the fort, is prudent and generous, and wee shall further you in it, all wee can, but the making a joint Stock for the Inland or Country trade of India, here is impracticable, when they are upon the place, and have leisure to talk it out one with another, they may do what they will, with the approbation of our President and Council.*"<sup>60</sup>

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<sup>59</sup> *ibid.*, First Series, Vol. III., 25<sup>th</sup> August, 1684

<sup>60</sup> Despatches, London, 16<sup>th</sup> March, 1684



An important statement that clearly puts forward the importance of revenue in the English settlement in India and the larger links that it was to draw upon is mentioned in the records- *“we hope you have begun walling in the Black towne and taken ( in a ) Competent quantity of void ground, for We do expect that (towne) will yet much Increase in the number of Inhabitants and that our ground rents may improve to a very considerable value hereafter, the great liberty we give of all trade in India, the resort of our own Shipping, the strength of the place, and that great Justice We would have you be always most kind and indulgent to the Inhabitants that observe our laws and protect them in the Same uninterrupted liberty of their severall Religions in which they were born and bred as you do those of our own Church and Nation..... But all mankind enjoying such protection, assurance and property in their persons and Estates, must and do defray the Charge of their protection and preservation in all parts of this world wherever the Sun or MOONE Shines, which is an undeniable argument, whereof you may make use as there shall be occasion.”<sup>61</sup>*

The question of enhancement of revenue was intricately linked to the position of English East India Company vis-à-vis other European companies. It was explicitly stated : *“And therefore we do hereby require our President forthwith to put in execution all we have formerly wrote him, touching that revenue, and that he do encrease it considerably, to what it now is, by such ways and means, as he and our Council shall think most expedient, and least burthensome to our Inhabitants ( except Customs..) and that your next letters after the receipt of this, may inform us, not what you intend to doe but what you actually done in this matter, it is our ambition for the honour of our King and Country, and the good of Prosperity, as well as of this Company; to make the English Nation, as formidable as the Dutch, or any other Europe Nation, are or ever were in India; but that cannot be done, only by the form and with the methods of trading Merchants, without the Political Skill of making all fortified places repay their full charge and Expences.”<sup>62</sup>*

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<sup>61</sup> Despatch to Fort St. George, 14<sup>th</sup> January, 1685

<sup>62</sup> Despatch to Fort St. George, 26<sup>th</sup> Aug. 1685

Further during the Governorship of Thomas Pitt (1698-1702), the blockade by Dawood Khan, put the East India Company on a red alert yet again. The defence of the 'Black Town' was taken up speedily. It was thought necessary that the garrison and out town be put into the best posture of defence it can be. Subsequently a levy was made upon the inhabitants of Black Town for building a wall and constructing other works for the defence of the town.<sup>63</sup> In the consultation of the year 1701 it is mentioned, "*If any thing be said about our revenues, which are generally magnified four times as much as they are, it is to be answered, that it is paid by none but our own inhabitants, who are enriched by our trade solely, and are daily getting money from us; which had long ago ruined us, had not we set up revenues to regain some money from them towards defraying our great charges.*"<sup>64</sup>

Sea customs and shipping were also indispensable for the English East India Company. These were regularly debated upon as it was well realized that the tentacles of power were enmeshed with the finances. "*Our Custom at your place, at Bombay and Pyraman We have established inward from the Sea at 5 Pagoda and So we would have you exact that duty punctually from all persons whatsoever from and after the arrival of these ships, it being of absolute necessity to us to levy Such duties from the Inhabitants of our fortified places protected by us, as we may defray those excessive charges which you see we do freely engage in for the Honour and Interest of Our King and Country as well as for the good of all persons that live under our protection.*"<sup>65</sup>

Various issues were considered before altering the rate of customs and it was also suggested that Company could resort to the use of force if required. Following are some issues which were considered: "*Though we have established 5 percent to be our Constant Sea Custom hereafter, Our meaning is all goods Shipt out or landed, but that any goods that have once paid Our 5 percent Custom inward from the sea Should be permitted to be shipt out again freely without paying new Custom.*" "*We know it may be objected that this Increase of Custom may lessen the trade of Madrass, and raise again that of St.*

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<sup>63</sup> Wheeler, p.187

<sup>64</sup> Diary and Consultation Book, 17<sup>th</sup> January, 1701

<sup>65</sup> Despatch to Fort St. George, 14<sup>th</sup> January, 1685

*Thoma, but against that We have provided Laws, Which we will have strictly executed, and for further prevencon, We do hereby empower you to take a ffarm of St. Thoma and all parts near thereunto, by growth whereof you conceive our ffort and town of Madrass may come to be prejudiced, and when you have done that, since We have laid out Such vast sums of money upon the securing and improveing that place, We will rather make use of Arms to defend our dear bought Right, then Suffer our selves to be cheated by any trick or Contrivance of the fruit of So many years disbursements.*"<sup>66</sup>

There was also suggestion of water tax in the settlement at Cuddalore, "*We are glad to hear Fort St. Davids is so promising a Settlement and must recommend it to your care to cultivate it what in you lyeth, We should be glad to have an end put to the Repairs there, Our Auditor Generall complaining to us of the excessive Charge We are at in that place, which you cant be unsensible of, and that nothing but a proportionable Revenue will ever be able to support, It is that has enabled the Dutch to maintain and preserve so many fortified Settlements in India, and nothing else can enable us to do the like, which being therefore of so great Concernment to us we recommend it to you and to our President Mr. Hatsells care and study to improve and encrease by all the ways within your Power, wherein we cant give you a better precedent, than the Dutch Example to copy after, and since the bringing the Water round the town of Codalore wil be so great an Addition to the safety of the Place, We think it very reasonable that the Inhabitants, who reap the benefit should defray the Charge of their own Security...*"<sup>67</sup>

In the years to come the arrangement regards the payment of sea customs and clearing out ships was managed by some strange laws. "*The Right Honourable Company has made it a law in their City and Port of Madras that all goods exported or imported (their own goods, and all jewels, plate, and money only excepted) shall pay towards the charges of the Garrison and Fortification five percent Custom.*"<sup>68</sup>

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<sup>66</sup> Despatches, 14<sup>th</sup> Jan 1685

<sup>67</sup> Diary and Consultation Book, 16<sup>th</sup> April, 1697

<sup>68</sup> Diary and Consultation Book, 4<sup>th</sup> January, 1693

Shipping was another concern which kept the Company occupied for years. For the first 12 years of the Company's history the method of conducting the trade was by means of separate voyages. This system was inconvenient as it led to great competition. The period of the separate voyages came to an end in 1612, in the course of which time the Company had exported from England in merchandise £62,411, in bullion £138,127, and had expended upon ships and stores £263,746.<sup>69</sup> The earliest difficulties experienced by the Company were to procure suitable vessels for the transport of its cargoes. Therefore it was resolved to build its own ships, which it proceeded to do by establishing a dockyard, at Deptford. Their first ship, named "The Trade's Increase", was described as the goodliest and greatest ship ever framed in the Kingdom. The method of separate voyages having proved unsatisfactory the Company in 1613, adopted a slightly different system of conducting its ventures. Subscriptions were invited from the public to form a joint stock which should constitute the capital of the Company so that the trade of the Company could be financed for a short term of years. This method of conducting the trade of the Company prevailed until 1657.<sup>70</sup>

The issue was major as it was one of the crucial pillars which sustained the trading world of the period. Josiah Child remarked in 1683: "*My aime in this is not to deprive you of any benefits you make by letting your own ships out at freight neither is it to get much for the Company but my Aime is more Noble and Natinall (National) viz to contrive all which wayes I can to Employ great numbers of English Ships in India So far as it is possible without Losse to which Company or you... 'and I hope having this timely intimation of our Purpose before hand you will provide such a freight as may be beneficiall to the Company and yourselves which if you can we shall arrive at a Private advantage while we designe only the Publick good....' 'That which may possibly make this designe more adnatageous is a breach or quarrel that may happen between the French and the Mogull which the President of Surrat Expects Suddainly and hath given me Private Notice of it that should happen English Ships must needs be in great request.*"<sup>71</sup>

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<sup>69</sup> Milburn, *Oriental Commerce*, Vol. I, p.xi

<sup>70</sup> Hamilton, p.92

<sup>71</sup> Records of Fort St. George, Wansted 26<sup>th</sup> July 1683, Letter from Josiah Childe

It was stated in context of sending three Ships-the Royall James, Beaufort and Rochester with three Sloops. *“These three ships and the (Sloopes) attending are all new and fitted for a long voyage full of Men and consequently very chargeable to Us and therefore you must imploy your thought Seriously and Speedily to put them upon some employment or letting some of them to Freight that may at least defray the Charge of their Demorage”*.<sup>72</sup>

It was further alleged *“ffor fishing vessels and all other Small Ships..., that have the benefit of our Port and consequently of our great charge expended there, whether they be Natives or Europeans We Shall not now determine any certain rate for them to pay, but leave it to your discrecons to establish Such rules therein as you Shall judge most for our benefit, consistent with your own quiet, and least offensive to the Inhabitants of our town of Madrass, whom we would keep in good humor, altho’, it is more than high time for us to begin to imitate by degrees and with greater moderation, that wisdome by which other Nations have established themselves So Strongly in India, to the hazard of the totall ruine of the English Interest in those parts of the world.”*<sup>73</sup>

Regulations were constantly made for the shipment of bullion and merchandise. To state one- *“Wee have for your encouragement of your selves and the rest of pur ffactors in India, made our order and published it; That what Bullion goods or Merchandises shall be sent out; by any of the Adventurers, is to be consigned to our Presidents Agents or ffactors or some of them in India, and to noe others, and that the Investments thereof are to be made by our said Presidents Agents and ffactors, and to be returned to England on the Companyes Shipping and noe other.”*<sup>74</sup>

The development of infrastructure included the establishment of ‘Assurance Office’. *“These are to give notice to all persons, that the Right Honourable Company have ordered and established an Assurance Office for the greater encouragement and security of trade, where all persons may be rightly informed therein, both as to assuring and being assured, according to the severall voyages and premiums the parties shall treat and agree upon.”*<sup>75</sup>

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<sup>72</sup> Despatches, London, 19<sup>th</sup> October, 1683

<sup>73</sup> Ibid., London, 2<sup>nd</sup> of July 1684

<sup>74</sup> Despatches, 29<sup>th</sup> February, 1683-4

<sup>75</sup> Ibid., 29<sup>th</sup> September, 1688

## *English Trade on the Coromandel Coast- Infrastructure and the Merchants:*

The English East India Company's trade in Coromandel before 1658 had been sporadic and inconsistent, a feature of its eastern trade in the period prior to the Company's organization as a permanent joint-stock. With the foundation of Fort St. George in 1641 and favourable custom privileges there, English attention shifted to the southern markets. The establishment of a Presidency in Fort St. George in 1652 with a group of senior Company servants and decision making machinery made it possible to make planned, regular investments on the Coast, controlled from the seat of government in Madras. The reorganization of the Company as a permanent joint-stock coincided with a burgeoning demand for the types of painted and dyed goods from North Coromandel. A great growth in investment is seen from 1660's, when Coromandel overtook Gujarat in the value of goods it provided for the European market.<sup>76</sup> Till 1680, most of the English exports were financed by the import of bullion. *The minting rights they had secured in Madras, free of duty, helped them to maintain an unadulterated coinage and to avoid losses in the bullion trade.* The growth in institutional participation after 1670's gave enormous boost to the English trade on the Coromandel Coast. The English had by the 1680's set in place a well-founded network of trading factories centered on Fort St. George, as the Dutch had done earlier. In 1684 the English Company's exports from Coromandel was the highest in the total history of textile exports from this coast before the period of political expansion.<sup>77</sup> The import trade of the English took on a different character from the 1680's. After struggling with little success to compete in the small import trade of Coromandel in goods of Asian provenance, they moved, partly under the compulsion of policies in England, towards attempting to push English manufactures in Coromandel. The directors pressed all presidencies to encourage the sale of European goods through their Indian merchant contacts. The efforts to do this in Madras in the 1660's and 1670's

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<sup>76</sup> K.N.Chaudhary, Trading World, appendix 5, table C.2

<sup>77</sup> S.Arasratnam, Merchants, Companies and Commerce on the Coromandel Coast (1650-1740), p.150-157

were a great failure.<sup>78</sup> By the 1680's the Company servants at Madras had obtained such an influence on the Indian merchant suppliers of that port that they were able to oblige these merchants to accept English woollens in part payment for the textiles they delivered to the Company. Once the merchants of Madras were conditioned in this manner, the practice was extended south to the merchants of Cuddalore and Porto Novo who after initial reluctance and wrangling, agreed to accept no more than to the value of a fifth of the total investment.<sup>79</sup>

Though it has been asserted by many, that a cautious approach should be adopted while dealing with the importance of creation of European enclaves with facilities for orderly trade in the total Coromandel scene till well into the eighteenth century.<sup>80</sup> However it cannot be denied that these European enclaves did provide a major boost to the trade in the area. It should also be noted that the competition provided by the settlements near Madras had serious implications on the mechanism of trade adopted by the English East India Company. The focus on effective organizational structure, the fair system of justice, resort to force and armed trading were necessary outcomes of the above. The growth of San Thome was a source of great concern to the English at Madras, and even more to the directors at London. In the early eighteenth century the English Company servants put a bold front on the development and assured their superiors in London that soon the superior facilities and 'just' administration of the English in Madras would result in the liquidation of trade in San Thome.<sup>81</sup> It was also realized that more positive action was required than the naïve belief in the superior drawing power of Madras. So, succeeding governors negotiated with the Pathans, the major trading group, to induce them to leave San Thome and settle in Madras. Some incentives were given, such as a drawback on duties on goods re-exported, a longer term for payment of duties, though the English

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<sup>78</sup> Foster, English Factories.....1661-1664, p.389; Diary and Consultation Book, Fort St. George., 1672-8, p.71

<sup>79</sup> Consultation Book, 11<sup>th</sup> April, 1687

<sup>80</sup> Arasratnam talks about the trade of San Thome. When the ruler of Golconda recovered San Thome from the French in 1674 with Dutch assistance, he was pressed by the Dutch and the English to destroy that port and town. The fort was destroyed in 1674 and its Portuguese merchants migrated and settled in Madras.

And yet in twenty years San Thome had grown to such proportion as to cause alarm to the English. In 1687 the English showed first signs of alarm and from then on were preparing measures, much in the fashion of the restrictive regulations of the Dutch, to prevent merchants living in Madras from trading in San Thome.

<sup>81</sup> Despatches to England, 19<sup>th</sup> January, 1694-5, p 11

could not match the fiscal concessions that the Mughals had given in San Thome.<sup>82</sup> *If carrots were being offered, the stick was not far behind. Strict rules were promulgated to make sure that merchants domiciled in Madras did not trade from San Thome.* Merchants whose ships anchored at San Thome were not allowed to bring their goods to Madras, and any Madras merchant who imported goods at San Thome and transported them inland was threatened with fines and expulsion.<sup>83</sup> These regulations were of great significance and their implications to the growth of European port settlements and their historic role cannot be under estimated.

It is important here to illustrate here the mechanism through which the English East India Company entrenched its strongholds on the coast. One of the prime concerns for the English was to provide a sanctuary to the natives and to attract as many merchants as possible to increase the trade. Two factors drew the merchants closer to the Companies after the 1650's. Firstly, by this time the pattern of trade of the Companies in Coromandel had been clearly drawn and the parameters of their export and import trade were demarcated. The trade was dominated by an increasing annual investment in textiles, a large proportion of which was laid out in bullion. There was an important function to be performed in the supply trade to the Companies. Secondly, one of the Companies, the Dutch, had asserted a claim to control the eastward trade of the Indian Ocean, a trade which many Coromandel merchants drove with profit. A close attachment to the Dutch might have resulted in being favoured with passes. Alternatively, a merchant could obtain passes from the English, Danes and French, secure their protection against the Dutch. In either case, attachment to the Companies brought beneficial results and such attachment was best gained by a physical proximity to them. It was the English settlement of Madras which attracted the first such merchant migrants on any. *Thus, important merchants were increasingly drawn into the English political and influence structure and correspondingly tended to be drawn away from their connections with the hinterland. The question arises here is, were these merchants in any sense creatures of the English? William Fawcett<sup>84</sup>,*

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<sup>82</sup> Despatches from England, 17 October 1718, p 13; Diary and Consultation Book, Fort St. George., 19<sup>th</sup> April, 1725

<sup>83</sup> Despatches from England, 7<sup>th</sup> April 1708, p.70

<sup>84</sup> Fawcett, *English Factories..1678-1684*, p.6



*the editor of the Factory Records lends faith in the proposition that these merchants were creatures of the English. Sinnapah Arasaratnam, however asserts that they were not certainly so in the seventeenth century. Every one of them had considerable business concerns outside their dealings with the English.<sup>85</sup> However, what seems crucial here is that even though these merchants had their business outside the Company fold, they were gradually getting closely involved in the web of network which was intricately woven by the English. The Company made well thought out rules and regulations for proper management and conduct of the trade and the associated networks. As early as 1681 the following instructions<sup>86</sup> were made:*

- 1) You are to take care that all our Merchants Factors Writers and Apprentices. That are within the Severall factories doe Live in the Companys house or Factory Safe only at the Fort, where wee have a Garrison and the Town under our Government you our Agent and Councill there may permit Such as you and they shall think fitt to reside in our Tow of Madraspatam and not elsewhere.*
- 2) That no English men but Such as are in the Companys service are to be permitted to reside in any part of India under your Agency but onely at our Fort St. George and Town of Madrasapatam.*
- 3) That all possible care be taken to prevent any English out of our Shippes or otherwise from entering into the Service of the King of Golcondah or any other Prince in those Countries in regard when They are once Entered it is difficult for them to get of and hereby they become Lost as to the nation.*
- 4) That noe English men whether free or in our Service are to be permitted to (build) houses but where wee have a garrison and the Sole government.*
- 5) In order to the advance of the trade of our town of Madraspatam wee recommend unto you*

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<sup>85</sup> *Arasaratnam, op cit., p 232*

<sup>86</sup> 'Commission and Instructions given by us the Governour and Company of Merchants of London tradeing into the East Indies unto William Gyfford ..constituted and appointed Governour of Fort St. George and Town of Madraspatam and for Management of all our Affaires on the Coast of Coromandell and Bay of Bengalla in the East Indies.', 1681. The instructions included the printed directions which were supposed to be placed at different parts of the English outposts.

- (a) *To cause Justice Impartially to be administered to all thereby to Induce people to inhabit in our Said Town.*
- (b) *To Countenance and encourage al Merchants that come thither to trade from other parts of India by Permitting them a free market and civil Treatment. They paying the Customes and duties established, it hath been a verry great hindrance to the Trade of our Said Town, that some have heretofore Ingrossed the trade to themselves and not Permitted any but what hath passed through their own hands.*
- (c) *To consider whether the trade of the trade of our Said Town may not be further advanced by Looseing the Customes and yet the revenue maintained and Increased by Laying some Small or moderate Impositions on Liquors Tobacco or other Commodities on the consumption or otherwise as may not be Burthensome to the people*
- (d) *To Examine the title by which we hold the said Town and whether all the houses therein ought to pay some Small rent by way of acknowledgement to us as Llords of the place and If so that you our Agent and Councill doe upon Serious Consideration set such a small quit rent as may not disgust or discontent the Inhabitants thereof.*
- (e) *To take care that the Customes and duties settled there be duly and Indifferently Levied and a due account and register be kept thereof in which accompt is to be expressed at whate rate and value the same is taken.*

*Wee having thus given so great a Liberty we hope that all our factors and servants will keep within the rules, and not be so disingenuous and unfaithful ,as to Intermeddle with any Trade we have prohibited, we Expect from you and all our servants that you use all endeavours to prevent and discover any private trade that is beyond or contrary to the Indulgence by us granted and to advise us the particulars of what you shall discover with the names of the Persons so trading contrary to our rules.*

The acceleration in the drift of merchants towards European enclaves from the 1690's is largely accounted for by the administrative changes caused by the expansion of Mughal power into the region. Merchants who had forged successful relationships with the

Golconda administration now found that they had to make many adjustments. The worst period was the phase of transition between the destruction of Golconda and the imposition of a reasonably effective government by the nawab of Karnatak in Arcot after the 1720's. There were no fixed authority structures to which merchants could appeal. The highest level of power, in Delhi, was too remote from them.<sup>87</sup> The new English East India Company formed in 1698 traded for some time in Masulipatnam and merged with the Old Company leaving a debt of 150,000 pagodas, which it owed to some Masulipatnam merchants. The merchants had no means of redress, the local authority was of no help and they threatened to take their complaints to Delhi- an expensive and time-consuming process. In the end they were forced to settle in Madras, allowing discounts of up to 40 per cent on their original debt, thus losing heavily in the transaction.<sup>88</sup> The power vacuum thus created proved advantageous to the English Company and their relationship with the merchants though lopsided was getting increasingly getting institutionalized. This process of institutionalization had its origins both in traditional mercantile practices and in European commercial innovation.

In all the European enclaves there soon evolved an office of Chief Merchant (s) held by one or two of the most prominent merchants of the settlement.<sup>89</sup> The stature and influence wielded by the Chief Merchant can be gleaned by the fact that Lawrence Sawcer, an official of the English Company noted in the 1670's that it was a common saying among the inhabitants of Madras, '*Sir William (Langhorn) governs within the fort and Verona without*'.<sup>90</sup> Streynsham Master on his succession as the governor of Madras was quite critical about the fact that Viranna was 'so much respected that he had the boldness to make Sir Langhorn stay a considerable time at his house, when he hath called in there, as he would often do....'<sup>91</sup> The Company officials who served at Madras during the phase when Kasi Viranna was the Chief Merchant, ended up amassing riches. Streynsham Master noted with concern the complete stranglehold exercised by Viranna on the

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<sup>87</sup> *ibid*, p.235

<sup>88</sup> Despatches from England, 2<sup>nd</sup> March, 1708

<sup>89</sup> Arasaratnam, *op cit*, p.237

<sup>90</sup> Yogesh Sharma, '*A Life of Many Parts: Kasi Viranna- A Seventeenth Century South Indian Merchant Magnate.*', *Medieval History Journal*, 1,2 (1998)

<sup>91</sup> *Diaries, Vol.I, p. 66*

Company's commercial system, and sought to undermine the excessively privileged position of the Indian Chief Merchants. But he was able to succeed only after Viranna's death. Another issue on which Master saw Company's interests clashing with that of the native government was that of the renting of the 'Outlying Villages'. Considering the ensuing danger of the French in Langhorn's time to gain the possession of the villages round Madras, Streynsham Master applied to the King of Golcondah for a grant in perpetuity or, a lease, of San Thome, Trivatore and Egmore, situated respectively south, north and west of Fort St. George. After the evacuation of San Thome by French Langhorn had advocated the renting of the place, however the Company was disfavoured about the proposition and the town was farmed out to Kasi Viranna at a rent of 1300 Pagodas per annum. In 1678, Master contemplating to apply to the King Of Golconda, for the grant of additional territory wrote to the Company, "*The Councill, having considered what the Honourable Company write about Renting St. Toma (in their letter of 15<sup>th</sup> December 1676, vizt. That they no way incline unto it, not being able to foresee what quarrels it may engage them in with the Moors, Portuguese, french and Dutch), did notwithstanding Resolve to rent it, or get it rent free of the King, upon thye occasion; finding 'twould be a profitable rent for the Company if it can be procured at 1300 Pagodas per annum, as Verona pays for itm it being worth more, and will in a short be improved, when the Honourable Company hath it, to about 2000 pagodas per annum..*"<sup>92</sup> Even though Master's grant for concessions were not accepted, he went ahead, and wrote to the British political agent at Golconda – "*And the reason why we desire to have the said places remaine under us is Chiefly to noe other end that we might not be disturbed by any of the Divans people that are round about us, and that we might live quietly and peaceably.*"<sup>93</sup> While the negotiations were in progress, Lingappa, governor of Poonamallee, decreed that no grain from any other sources than his own should be admitted in Madras. Master however prepared to import grain by force leading to the withdrawal of order by the native governor. Master later took vigorous measures against Lingappa by deploying a troop of 50 soldiers and peons, when the latter placed an

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<sup>92</sup> *Vetsiges*, p. 409

<sup>93</sup> *Records of Fort St. George, 1678-9*

absolute embargo on provisions.<sup>94</sup> Master's disposition towards the Kasi Viranna and other merchants was not very favourable, and reflected a sharp contrast to those between the former and the previous English officials. His dealings with the merchants were not approved by Josia Child. The Company in fact framed rules and laws for the security of the merchants after the removal of Master in which it was written, "*The Governour and committee of the East India Company, taking into consideration, the great and unreasonable abuses inflicted upon Pedda Vincatadry, China Vincatadry, Allingal pilla, and other of our native Indian people of our Towne of Madrasspatam by our late and unjust and tyrannicall Agent Streyنشam Master, do for prevention of such oppression for the future, Ordain or appoint for a standing Law and Rule in all places within the jurisdiction of our Agency of Fort St. George.*"<sup>95</sup>

Developments in the sphere of commercial organization in the European ports in this period are seen to arise largely from the particular demands of European commerce. As European exports of Indian textiles expanded in second half of the seventeenth century, it was necessary to put the whole ordering and delivery process on a firm and steady footing. The Native Agency through which the Presidency of Fort St. George made their investments in Company's goods is largely illustrated by a very long entry in the Consultations of the 23<sup>rd</sup> April, 1696, which may be summed up in a few words. At an early period, Cassa Verona was the Chief Merchant through whom the Presidency transacted its business. On the 27<sup>th</sup> November, 1678, it was agreed that Cassa Verona should pay only half the custom of 5 per cent., which was levied on all goods passing into the Company's territory by sea or land; and this privilege was granted him during his employment as Chief Merchant, in return for which, he and his partners making themselves responsible to the Company for all the Joint Stock Merchant. Cassa Verona died on the 28<sup>th</sup> March, 1680, and on the 5<sup>th</sup> April following Pedda Vencatadry was appointed Chief Merchant, and the business was managed in the same manner as in Verona's time. But in June, the same year, the Agent and Council resolved upon making a Company of Merchants in a Joint Stock, and offered the Chiefship of the Company to Pedda Vencatadry. It was stated "*If you can reduce the Merchants at Meadapollam and*

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<sup>94</sup> *Vestiges*, p.410-11

<sup>95</sup> *Despatches from England*, vol. iv., 27<sup>th</sup> October, 1682

*Pettpolee into 3 several joint Stocks one of them of Metchlepatam one of madapollam and one of Petteplee [sic] in each joynt Stocks to be about 100 Merchants, as you shall thinke fit after the manner of the Dutch and as was this year proposed to us by Agent Master and Councel we think it might be greatly for our service in several respects ..1<sup>st</sup>. It would (Increase) our active stock with out the burden of Interest. 2ndly: Infallibly prevent bad debts. 3rdly: Secure our full Investments. 4thly: Should the Natives always to the goodness of our Musters. 5thly: Put of great quantities of English cloth . 6thly: Clear our Stores of Copper Tutenage and all Europe goods once in every year. Which being matters of such vast concernment to us we recommend to Your Care and Wisdome to procure and settle in all our ffactories now or hereafter to be erected under your Agency.*<sup>96</sup>

There was general acceptance for the need of a firm management of the merchants and the trading methods. The concerns are duly expressed at several occasions. In 1697, as regards the supply of *Long cloth and Sallampores*, the Company expressed happiness regarding the assurance of its supply from Fort St. Davids and Vizagapatam and further said: “ *But that so little is to be expected from Fort St. George is very surprising and unwelcome News, true it is you give us some reasons how it happens to be so at this time, from the unsettled Condition of the Joynt Stock Merchants, Yet we think you are blame worthy in that you have not interposed as you ought, your Authority and checked the growing evill at its first appearance, you should have directed, and if needful assisted them to finish their Accots. And taken care of putting so many able Managers at ye head of their affairs, as that the death of one or two might not have produced the Mischiefs which now threaten them, And the rather because you know how great a Benefit We have reaped for many years past by the large Investments they have made us without taking any bad Debts, This if there were no other is a sufficient reason why they ought to be resettled and we expected to have received some Expedients from you to that purpose, who being upon the place are the fittest Judges thereof.....If as you say the Painting or Weaving Trade cant be improved without them, which alone is so cogent, that we shall add no more because we hope you are honest, and that you will hereafter give us*

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<sup>96</sup> Despatches, 18<sup>th</sup> November, 1681

*convincing proofs of your diligence in, and ability for our service by settling them and encouraging the Painting and Weaving trade all you can at Madras and Coddalore.*"<sup>97</sup>

All the historians who have studied these joint stock companies or associations have seen in them an instance of the attempted transfer of a basically European commercial institution into the Asian trading world.<sup>98</sup> Though the idea of partnership trading did exist among the Indian merchants but it is a fact to be noted that in all the cases of their formation the initiative was taken by the European Company. The basic idea of merchants subscribing in shares to a common stock and using that in the interior, was prevalent throughout the region. What was new here was that a customer was taking a leading and supervisory role in the formation of the association and helping in the management and accounting activities of that body. The Joint Stocks were not only instruments for the purchase of textiles, they were also the vehicle for the sale of European imports: woolens, lead, copper, zinc, quicksilver, brimstone and coral.

### *Caste Disputes*

The extent to which the English intervened in the indigenous social system is evident by their involvement in the caste disputes especially during the early part of the eighteenth century. Why it can be asked that they tried to work within the system? This can be answered in various ways. One that the English were trying to penetrate the social complex to attain a peaceful environment suited to their trading interests. Two, that they were simultaneously portraying a dominant image of the Company by becoming the arbiter of the local disputes. Three, they were themselves getting entrenched in the web which they could later modify according to their own needs. That the profit from trade reigned supreme is obvious because they were still merely a trading concern and it was not possible to stay alienated in an environment which was to provide them goods and other services.

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<sup>97</sup> General letter to Fort St. George., April 16, 1697, (Sent by the Tavistock. (India Office transcript)

<sup>98</sup> Raychaudhuri, Jan Company, p.147-8; Arasratnam, 'Indian Traders and Their Trading Methods, circa 1700' I.E.S.H.R, II, 4 (1966), p. 85-100; Arasratnam, 'Aspects of the Role and Activities of South Indian Merchants. 1650-1700', J.J.Brenning 'Joint Stock Companies of Coromandel', in B.B.Kling and M.N.Pearson, eds., The Age of Partnership, p. 71-94

The Home authorities while on one hand expressed concern over the disruptions caused by the disputes between the right and left hand castes in the Coromandel, and on the other hand appreciated the Company in India for having effectively handled the same. *“This naturally leads us to the consideration of the many and long Paragraphs in your Letters relating to the differences between the Right and Left hand Casts, because the heads of them are the men by whom you make your Investments....Wee should have esteem'd it a praise worthy management in our President and Council to have foreseen and prevented this Mutinous disposition before it broke out or at least to have quenched it when it first began to flame.....Nothing sure do's better bespeak the ability and diligence of Governours than keeping their subjects and dependants in quiet and they can never do that without an impartiall administration of Justice to all under them... It was very surprising to us to read that so many of the Handicrafts and other usefull hands went away on this quarrel and gave us but ordinary apprehensions of the conduct of the then administration surely they were too valueable to be parted with without the last extremity all Nations and times have agreed in this that usefull people are the Riches as well as strength of a City or Countrey '....On the whole matter wee heartily recommend to you all to endeavour in your stations to prevent such like quarrels in future and to that end to take care the establishd ancient Priviledges of both Casts be preserved to them and the like to all other the Inhabitants and all of them have the free possession of their liberty and property That Justice be administered equally and impartially and no reall cause given of discontent and then if you find any Makebates that would be putting the people in a ferment make them Publick examples as their faults deserve and in such Case remember too much pity spoils a City.”*<sup>99</sup>

### **Military Discipline:**

The role of force in the establishment and growth of the English settlements in India has already been discussed. Military was therefore lynchpin in the entire network controlling

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<sup>99</sup> Despatches from the Company to Fort St. George per Halifax. London, feb. 4, 1708 ( Public Despatches from England, Vol. 14, pp.39-70)



and promoting trade. Efforts to discipline it and enhance its strength were therefore seriously undertaken. Stern Disciplinarian as Streynsham Master was, he introduced many changes in the military services of the Company to strengthen it and to make it function in an orderly manner. Master had noticed laxity in the military government in Langhorn's time and having made a careful note of the flaws which lay therein, he set out to reform it. There was special attention given to military as it was to be the main strength in the times to come. The Garrison received considerable attention during Streynsham Master's rule. In William Langhorn's time, the standing orders governing the conduct of the Company's servants, both civil and military, had been posted at the Main Guard. After the grant of commissions the Council resolved that, as the regulations in use in Langhorn's time were in some respects unsuitable, separate orders for the civil and military servants<sup>100</sup> should be framed, the former to be hung up in the chapel, and the latter at the 'Corps du Guard.' The Council also provided for the establishment of Court-martial. Master also worked for the reduction in strength of the military according to Major Puckle's recommendation. Master issued separate orders for the civil and military servants, former to be hung up in the Chappell and latter in the 'Corps du Guard.' Having done this Master issued commissions to various officers: "*By virtue of the Power given to me by the Honourable the Governor and Company of Merchants of London trading into the East Indies in a Commission under their Seale dated the 16<sup>th</sup> day of December, Anno Domini, 1675....*" This action of Master was greatly objected by the home authorities. They wrote: "*Wee like not your giving Commissions to the Officers of our Garrison without our particular order, neither will wee allow of the title of Captain or Captain Lieutenant to any that is not either Agent himselfe or of our Councill, notwithstanding the opinion of Major Puckle deceased.*"<sup>101</sup>

"We considering that if there be not stop put to these unreasonable demands of Nabobs, that the ill consequences will in a little time be of no less than a vast annual charge to this place ;and we all unanimously concluding this to be a proper time to withstand them, being informed that his army consists of no more than three thousand horse and seven thousand foot, we think ourselves in a condition, with the force we have and can raise, to

<sup>100</sup> The orders are reproduced at length in 'Madras in the Olden Time', J. Talboys Wheeler, III, p.440-461

<sup>101</sup> Letter Book, vol. vi., 3<sup>rd</sup> December., 1679, cited in Vestiges, p. 436

baffle him if he offers to make any attempt upon us. so by order of the Governor and Council ,and advice of the Commanders of the Europe ships and commission Officers of the Garrison , it is resolved that the following measures be taken.<sup>102</sup>

1<sup>st</sup> -That the Europe ships to-morrow morning land men according to charter party,viz., fifty out of the "Bedford", thirty from the "Duchess", thirty from the "Phoenix", which will make a good Marine Company.

2<sup>nd</sup> -That the Trained Bands of this place to be to-morrow raised, and that Captain Heron be appointed Captain, Mr. Berlu be Lieutenant, and Mr. Wigmore be Ensign.

3<sup>rd</sup> -That about one hundred and twenty of the Portuguese inhabitants are to be immediately raised and armed and formed into a Company, and be commanded by Captain, Emmanuel de Silva

4<sup>th</sup> -That the Paymaster entertains one hundred Peons to lie out as scouts for intelligence, and reinforce our best watching places.

5<sup>th</sup> -That all the Company's cloth be brought in from the washers, washed and unwashed, to prevent it's being plundered ;and that the likeliest men of the watches be armed and posted in our out villages.

The regulations were constantly reviewed according to the needs. If force was crucial in the environment which was enmeshed with alliances and counter alliances between the different European powers as well as the native government, then a strong army was therefore most essential. Thomas Pitt also made various regulations as during his governorship the conflicts with the local government were particularly striking. The blockade of Daud Khan during the time of Pitt, posed as serious impediment for the Company. And who can deny that if it had not been for the army the enormous increase in the Company's trade and therefore its transformation from a trading concern into an empire would not have been possible.

### *Interlopers and Company Officials:*

The English East India Company throughout the period under study was troubled by two very precarious problems. Interloping and corruption among the Company officials were

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<sup>102</sup> Diary and Consultation Book, 27<sup>th</sup> May, 1701

issues with which the East India Company had to constantly grapple. Different estimates have been given regarding the extent of private trade which added up to the treasures carried to Britain. However there is unanimity on the fact that private trading pursued by the Company officials was a cause of concern for the Company directors. This evidence has been often used to argue that the control over the officials often slackened under the circumstances. The Governors had to often undergo court proceedings for having amassed loads of wealth. The 'Nabobs' as Percieval Spear calls them engaged heavily in private trading and lived a lavish life. The corruption prevalent also bothered the Directors at London greatly. Though the impact private trading and corruption had on the power structure cannot be under estimated but it can be undoubtedly said the attempts addressing the same were made constantly and not all of them were in vain. As early as 1681 it is recorded: " Wee observe what you write in that paragraph concerning buildings that you will consider our Interest therein as if they were your Particular concern so farre as a Particular can bear proportion with a nationall, which words though they are fairly exprest doe seem to carry a meaning in them which wee cannot approve in you, and doe believe is a notion Agent Masters carried too farrre to our damage in his Late progress ,*the Company is nationall but you are our servants, Live in grandure and doe greatly augment your states by our favour, and you must (if you will be honest) observe our commands without respect to futurities , which we our the proper Judges of in our own businesse, notwithstanding we shall never think amisse of any modest advice you shall give us for our benefit or the future advantage, of the Inghlish East India Trade but wee are positively resolved that we will be obeyed by all that serve us there; whatever losse wee may sustaine by repeated change of them.*"<sup>103</sup>

As mentioned earlier the matter of finances was minutely discussed and there was regular inspection of the expenses incurred by the Governor and other officials. "*We have perused Mr. Bigrig's returns to your Commission from Metchlepatnam and Madapollam by which we see things are much amiss yet in both these ffactories and find by our Bookes this year and the two last that they are run again at these places into an abominable profligate way of expence, which, if you cannot correct by admonicon you*

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<sup>103</sup> Despatches, 5 January, 1680-81

*must cure by sharp remedies and never leave changing till you have rooted out the Spendthrifts from being either Cheifs or of Our Councill there, that being a place the most apt to runn into extravagancy of any we have knowne in India.*"<sup>104</sup>

During William Gyfford's governorship, rules were made for the protection of the native merchants from the unreasonable abuses inflicted upon them by the Company officials and the Company directed : "*... for prevencon of Such oppressions for the future, Ordain and appoint for a Standing law and Rule in all places within the jurisdiction of our Agency of Fort St. George.....1<sup>st</sup>: That no person in our Service Shall be Suffered to depart home for England, till he have paid all just debts to the Natives of India, or given bail to their Actions. 2dly: That the Oaths of all native Indians of good fame and credit within the Agency of ffort St. George Shalbe admitted in all trayalls of law and Equity, aswel betwixt Natives and Natives, as Natives and Englishmen, they Swearing by the living and Eternall God who created the Heavens and the Earth, in whom they believe.*"<sup>105</sup>

The Company further desired to maintain strict control over the English employed in India and specific provisions concerning them were obtained through the farmans issues by the native government. "*Whenever you renew any treaty, or obtain any Phirmaund from the King of Golcondah or Sombajee or any other Prince or Nation.. We would have you endeavour in all such cases to obtain an article, that any Englishman or other Subject or Subjects of our Sovereign Lord the King abiding or being in any parts of their respective dominions (without Our Presidents leave or consent) Shall upon demand be delivered up unto you. And the like order We would have you give to Our Agent and Council in Bengall with respect to any new Treaty, that they may have occasion to enter into with any Prince or Nation hereafter, ffor altho' We design great liberty for free Merchants aswel as ffree Ships to go for India, and trade there without prejudice to the Company, yet we resolve that no Englishman shall ever abide or Stay in India without giving constant and due obedience to all our Rules and Orders, and to respective Chiefs*

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<sup>104</sup> Despatches... London.. 20<sup>th</sup> September, 1682

<sup>105</sup> Ibid., 27<sup>th</sup> October, 1682

*and Councils, among which rules and orders of ours, you must not forget, that one Rule is, that whatever Englishman hath liberty to trade in India, is to keep house or reside with his family at ffort St. George, or in some other of our fortified towns or places, and there to pay (as we usually say) Scott and Lott to the Company as Lords Proprietors and Protectors of that place under his Majesty.”<sup>106</sup>*

Indeed, there was a large discrepancy between what the systems were designed to achieve and what happened in practice, the technological constraints from poor communications posing a severe handicap for companies with widely dispersed operations. Although systems were designed to overcome asymmetries, information was often slow to be processed, books were sometimes years out of date, and not all company servants understood the importance of what lay before them or had the capacity or freedom to respond appropriately. In spite of a plethora of committees, extensive reporting systems, and a mass of paperwork specific orders were not always met, freight rates were not invariably the most advantageous, goods might be overpriced and deficient in quantity and quality, and warehouses were sometimes swollen with unsaleable stock.<sup>107</sup> The geographically dispersed nature of chartered companies' operations meant that significant responsibility was delegated to company servants. Poor communications systems gave rise to considerable information asymmetries, with head offices struggling to determine whether trading outcomes were the result of exogenous factors or the degree of employee honesty and efficiency. The managerial performance had a critical bearing upon the profitability and the major problem facing the trading companies, therefore was that of managing the managers at a distance.” It can be said that the introduction of sophisticated control mechanisms that included individual incentives, monitoring systems, and a corporate ethos, enabled most companies to reduce inefficiency and opportunism to acceptable levels.

In the preceding pages a detailed account has been given regarding the infrastructure which evolved in the later part of seventeenth and the early eighteenth century. The chapter covered details concerning the administration of Justice, the relation between the

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<sup>106</sup> Despatches London, 24<sup>th</sup> Feb 1685

<sup>107</sup> Furber, *Rival Empires*, p.128-29, Chaudhari, *Trading World*, p. 58, 65, 208-10, 458-59

Company and the native merchants, the measures taken for the enhancement of revenue, the growing involvement of the English Company in the social set up, the increased use of force and stern regulations related to the interlopers and the rampant corruption. The idea behind an overview of the above factors was to highlight the level of mercantilist penetration by the English East India Company and its manifestations and ramifications on the Coromandel Coast.

## Chapter III

### Force, Fortification and Structure of the English East India Company (1670-1720)

By the middle of the seventeenth century the three European chartered Companies, the Dutch, the English and the Danish, had acquired and consolidated their settlements along the Coromandel Coast. In these settlements they had instituted a commercial and administrative infrastructure. They had implanted effective institutions for the management of their commerce, in so far as their rights and privileges allowed them to do so. Each of the Companies had an established capital on the coast which was its seat of authority and command for activities along the whole coast and even beyond. The Dutch, the most deeply entrenched among them, had founded a fortified castle in Paleacat in 1612 which was the residence of their governor and the controlling post over their Coromandel activities. The English had settled near the old village of Chennapatnam in 1639, which they soon fortified with the construction of Fort St. George in 1641. This then became the residence of their President and Council, controlling all the trade of the Bay of Bengal and eastwards. The English and the Dutch had spread out into a number of factories or trade settlements in ports all along the coast. All the three Companies, especially the two larger concerns of the Dutch and the English and by now secured a clear idea of the potential of the Coromandel trade and of their interests in it. It was obvious that they had decided that Coromandel was going to be a major artery of their commerce. To achieve their aims they had to begun to fashion appropriate investment policies as well as to pursue back-up political and diplomatic policies. Both the Dutch and English were poised for a major growth of their commerce in this region and for expanding political and military commitments to back up their commerce.

Thus commercial investment was increasingly supported by the deployment of military and naval force and by a more aggressive diplomatic involvement with rulers and

governors of the hinterland. This expansion on all fronts- commercial, naval, political and military- was to lead in the second half of the seventeenth century to a close involvement between European and indigenous powers from which important political developments were to issue forth towards the end of that century and after. The intense rivalry for trade among European nations also served to accelerate the trend towards a deeper involvement in the affairs of the region.<sup>1</sup> In the second half of the seventeenth century this rivalry first took the form of a primarily Dutch move to remove Portuguese presence from the coast. Then it became an effort by the English and the Dutch to prevent the establishment of French commerce along the coast. In both these cases of an essentially European rivalry, indigenous hinterland powers became involved and the stage was set for alliance and counter alliance.

### *Idea of Force and fortification:*

There is considerable disagreement over the role of force and fortification. In general, historians have agreed that the use of force and the establishment of fortified settlements was essentially a defensive development. The myriad conflicting statements in the records of the East India Company lend themselves to this somewhat tentative conclusion. Even where forts were built and the English employed force, such actions were largely in retaliation against attacks on English commerce and English settlements. There was thus no claim to sovereignty inherent in the situations.<sup>2</sup> On the other hand, however, it may be argued that *force was the logical outcome of such a relationship, because the basis of the relationship was mercantile in an age dominated by the precepts of mercantilism.*<sup>3</sup> K.N.Chaudhary in his analysis of Anglo Indian relationship, argues that force was “an implicit part” of European trade with Asia.<sup>4</sup> The reason why this was so, he says, must have been “that profits from armed trading were higher than in

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<sup>1</sup> S.Arasratnam, Merchants Companies. p.64-65

<sup>2</sup> For example, K.M.Panikkar, Asia and Western Dominance, 1498-1945 (London, 1959), p.52, 73; J.H.Parry, Trade and Dominion: The European Overseas Empires in the Eighteenth Century (London, 1971), p.65, 71,335

<sup>3</sup> R.Mukherjee, The Rise and Fall of the East India Company: A Sociological Appraisal (Berlin, 1955), p.71

<sup>4</sup> K.N.Chaudhary, The Trading World of Asia and the English East India Company, 1660-1760 (Cambridge, 1978), p.111



the case of peaceful commerce”.<sup>5</sup> This conclusion goes beyond the traditional framework, while still utilizing the traditional premises for the use of force: conflicts between Europeans in Asia, the Portuguese crusade against Islam, European accounts of themselves as victims in their relationships with Asian rulers, the system of licenses for indigenous shipping imposed by the Europeans, and the failure of the ruling elites to comprehend the nature of European aspirations in the east. Force, according to Chaudhary, was profitable when the sale of protection became an economic transaction, when the Europeans could enjoy redistributive enterprise, when the possession of independent territorial bases yielded revenues through customs and taxes, when commercial concessions could be gained from ruling elites, and when the system of maritime passes was working well.<sup>6</sup>

Imperial officers were constantly on their guard against any possible growth of military power on the part of European nations in those trading cities where they were likely to come into strong competition with Indian merchants.<sup>7</sup> Places where the Europeans were allowed to establish fortified settlements were either outside the political control of the Mughals or devoid of any commercial importance. But, as Chaudhary asserts, however, aware the Mughals might be of European political designs, they did not ask, the reason why the Europeans thought it necessary in the first place combine their trade in the Indies with claims of semi sovereign rights. An abstract discussion of such fundamental problems was of course rare and even alien to Indian political writings of the period. But on the part of Europeans, both the policy makers in charge of the East India trade and those writers and thinkers who were already concerned with the questions of authority and power in the state and Church, there was a very real awareness that trade and expansion in Asia touched on the vital concepts of the laws of nations and international relationship.

In spite of a long tradition of anti Islamic sentiments in law and diplomacy which characterized English public life, the East India Company did not systematically adopt an

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<sup>5</sup> *ibid.*, p.113-4

<sup>6</sup> *ibid.*, ch.6, “Politics of Trade.”

<sup>7</sup> *Ibid.*, p.111

ideological viewpoint which sought to provide any kind of moral justification for armed trading. But there was always an underlying assumption that if it did not do so, the Company and its servants would expose their commercial capital and even personal safety to the exaction and violence of arbitrary rulers. In the political world of contemporaneous Asia, as perceived by the Court of Directors, European traders appeared as victims rather than aggressors. There are innumerable examples illustrating this deeply held belief. As put rhetorically, 'if no Naval Force no Trade, if no fear no Friendship'. By the early eighteenth century the East India Company's settlements in Asia had become semi sovereign enclaves, able to exercise a certain measure of political power. The problem before the policy makers was not so much to determine the situations in which force might be used against Asian powers to protect the Company's commercial interests as to restrain their own servants from over stepping the limits where acts of war ceased to be economically profitable to the organization at home and served only the latter's private interests.

Chaudhuri's argument is exciting, for it analyses the nature of the mercantile relationship between the English and India far more deeply than previous accounts. This essay will accept the economic arguments propounded by Chaudhuri, and will suggest that the development from factory to fort was an economic necessity for Englishmen in India and it was based upon the power of maritime traders to enforce their demands at sea. *Defence and offence are regarded as a symbiosis, which revealed either pacific or offensive attitudes in response to given or perceived threats, and/or situations where an advantage could be gained.* Flexibility was the defining characteristic of the relationship, and this was developed by the "idea" and utility of force as it was understood by Englishmen in India between 1608 and 1759.

Although Englishmen in India evolved distinct attitudes towards the use of force, the establishment of fortified settlements was not an English innovation in Asia. First the Portuguese, and then the Dutch, had developed the idea of the fortified settlement defensible from the sea. While the Portuguese concentrated on levying tribute from the indigenous maritime trade of the Indian Ocean, the Dutch utilized their forts to

establish control over the supply of fine spices in the south-east Asian archipelago. In both cases there was an obvious reliance on force in relationships with indigenous peoples, and in conflicts between the Europeans in the east.<sup>8</sup> In India the strength of the land powers made necessary a far more cautious approach to the problems of security of settlements, and the expansion of a profitable commerce.

In the English case the debate about the utility of fortifications and force is confused by the conflicting views expressed at various times. Early in the seventeenth century Sir Thomas Roe considered desires to establish forts in India as delusions of a costly and ineffective nature.<sup>9</sup> Roe was essentially opposed to fortifications because he was utterly convinced of the ability of English ships to control the maritime trade of the Mughal Empire. As we shall see, however, while Roe was opposed to fortifications he was also a committed advocate of the use of force against anybody who checked English aspirations in India. The cost factor was important, and throughout the records we find examples of the company's demands for economies in its settlements. *"Profit, not grandeur, which is our end in trading", was one of the constant themes.*<sup>10</sup> *The point to remember here is that profit was the operative factor; grandeur was acceptable as long as it did not interfere with the accumulation of profits.* The perceived threat was far more evident to resident Englishmen than it was to the directors in London. Juggling the balance sheet, to keep the costs of the fortifications within limits acceptable to a company maintaining its presence in India by commercial profits, became increasingly difficult. As early as 1665 the Directors at Home had heard that a French East India Company was being formed, and that a French expedition would shortly be sent out to compete with the Dutch and English in the profits of the Coromandel trade; and it was this circumstance which led to the enlarging and strengthening of the fortifications of Fort St. George, and to the great increase in the garrison. The intelligence proved to be perfectly correct. Colbert, the greatest financial and commercial statesman of the age,

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<sup>8</sup> Neils Steensgaard, 'Carracks, Caravans and Companies: The Structural Crisis in the European Asian Trade in the Early Seventeenth century; Holden Furber, *Rival Empires of Trade in the Orient, 1600-1800*, esp. p.310-14; Chaudhary, *Trading World of Asia*, p.109-15

<sup>9</sup> *The Embassy of Sir Thomas Roe to India, 1615-19*, ed. W. Foster, revised edn. (London, 1926), pp. 303-4, 373-4

<sup>10</sup> *The English Factories in India, 1670-84*, ed. C. Fawcett, 4 vols. iii, p.237

was Comptroller-General under Louis XIV. His genius had largely been devoted to the extension of the foreign trade of the French nation.<sup>11</sup> The siege of St. Thome by the French subsequently gave further reasons to the English East India Company to enlarge and strengthen the fortification as much as possible. but their efforts in this direction do not seem to have much increased their strength., or to have rendered them more independent of the belligerent powers.<sup>12</sup>

The situation in India worsened as Aurangzeb pushed to the south in his attempts to crush the Marathas. The Dutch capture of Bantam in 1682 threw the English back into India, and caused them to consider retaliation against the Dutch in India and the archipelago. Bombay became the base for such operations, but plans had to be aborted when the Dutch connived with the Mughals at Surat to check English ambitions. However the incidences that ensued in Bantam had a great impact on the English policy in India. *"We have proceeded very farr in a Treaty with the Dutch Deputies here, about the restitution of Bantam, and in words they Seem willing to admit our demands, except that of giving us possession of the ffort there undemolished, upon that the Treaty Seems to be at a stand, and they pretend their old Comission is expired the 10<sup>th</sup> Instant, and now they Stay for a new One, which is an old Method of theirs, which you understand... But if our principal! Governors and Servants in India could once arrive at the wisdom of making fortified places in India and defray their Costs and Charge, the Dutch Should have no joy in taking Bantam, but rather repent that wisdom which their injustice hath forced us to learn from them. ....It may be said why cannot the Company now subsist with as small duties, as they levied formerly, the Answer is easy, they may subsist as they did, having their ffactories in generally at the mercy of the Heathens among whom they lived, but then they Shalbe So weak in India as the Dutch when they please may route them out of all India in one year, as they have already out of all the noblest parts of India. And if it should be asked how the Dutch can maintain 170 forts and fortified places in India, while 2 or 3 can hardly be supported by the English Company, the Answer is the same, All the Dutch Stock would not maintain their 170 forts one*

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<sup>11</sup> J.T Wheeler, Madras in the Olden Times., p.39

<sup>12</sup> Ibid., p.42

*yeare, but for their engrossment of Spice and their Skill of making their Natives pay the charge of their fortified places, and this last We say is all the foundacon of their greatness and power, for how have they engrossed Spice, but by fortifications, and how have they maintained their fortifications, but singly by that Skill which we now recommend to your imitacon.*"<sup>13</sup> The company's conflicts with English interlopers also exacerbated the problems it was experiencing in the east. In England the company persuaded Charles II to revoke warrants granted to other English traders, and part of its argument was based on the costs incurred by the company in maintaining its Indian settlements.

Although there was close similarity between the methods followed by the Dutch and the English in realizing the political aims in Asia, there were also important dissimilarities in their history and area of operations. The V.O.C, laid the foundation of its imperial system within three decades of the Company's inception. For the English organization a comparative development did not take place until the second half of the seventeenth century. Again the possession of Batavia (1619) and a strong territorial base in Java and the Spice Islands enabled the Dutch to avoid the necessity of seeking a similar base in the Mughal Empire. The English East India Company, on the other hand felt vulnerable without fortified settlement in the Indian subcontinent, partly because it wished to avoid payment to the local redistributive enterprises and partly because the Directors wanted the Company to become a redistributive enterprise in its own rights. The most explicit formulation of such ideas and the strength of Dutch influence on the latter were to be found during the period of Josiah Child's governorship, which in many ways represented a break from the previous tradition of peaceful trading. The company's aversion to the policy of provoking conflicts in India was stressed with a special emphasis when the third Anglo Dutch war broke out in 1672. There was a distinct danger that the extension of hostilities to the Indian subcontinent might easily lead to military intervention by the south Indian rulers on behalf of one European nation or the other. If the English remained on friendly terms with the coastal powers, it

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<sup>13</sup> Despatches.. 14<sup>th</sup> Jan 1685

was highly probable that the Dutch would be deterred from attacking Madras from a fear of a diplomatic breach with them. So far as the Indian rulers were concerned, Fort St. George was asked not to forget that '*we are not only in the country on the terms by which we possess what we there have, but also under their protection.*'<sup>14</sup> This was an important statement, indicative of the mood of the anti war party within the Court of Committees. But as the Company's political relations with Mughal rulers deteriorated in the 1670's there was an increasing call for a more warlike policy, and with the accession to power of Josiah Child's party in the 1680's the non-belligerent attitude was to be sharply reversed. As late as 1679, when Child was a member of the Court of Committees, the Company was deploring the Dutch method of trading from a position of armed strength.

When the Madras Council wrote home that the fortifications of the town and the fort were being strengthened the court replied that the Dutch example in Asia should not be taken as a sound rule fit for copying. In its view the cost of Dutch settlement had done the East India stock more harm than good from the shareholders standpoint, and the Court were not willing to incur such charges on its own trade. If Madras could defend itself against any sudden attack, that was as much as the Company hoped for. In any case absolutely essential to maintain a good understanding with the King of Golconda and his ministers. For if Golcondah really wished to go to war against a Company there was nothing that Madras could do, the number of its guns or any other show of force notwithstanding, to 'reintegrate us in our trade'. The court concluded that pound 500 spent on 'pescash' would serve a better purpose than the running expense of great fortifications.<sup>15</sup> In spite of regular insistence for the use of force, there was the awareness of the limitations of armed power. The records read: "*We observe what you find necessary to be built for security of the Fort and Town....Our opinion is that our Fort and Town of Madras is strong enough when it is able to keep off any sudden incursion of an armed power. It is not our over-many great guns nor must chargeable fortifications support our trade in those parts, but a fair compliance with the King of Golcondah and*

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<sup>14</sup> Despatch Book, 29<sup>th</sup> September, 1673, Vol. 88, p.69

<sup>15</sup> *ibid.*, 3<sup>rd</sup> Dec, 1679, Vol.89, p.115

*his chief Minister. Possibly it may be necessary to make a shew (show) and look big upon some occasions towards the Governors of the Country, but to be always fair with the King and his chief Minister. If the Kings power should be engaged against us, it is not your guns nor any other pomp, or ostentations shew, or appearing force, can reintegrate us in our trade. Five hundred Pounds in Piscashes upon such an occasion would possibly be of more use to us than the continual expence of great fortifications, and the charge that follows in consequences of them... ”<sup>16</sup>*

Within five years the political ideology of the Company underwent a complete change and soon a concerted attempt was to be made to create a privileged position for itself in the Mughal Empire by the force of arms. The acquisition of Madras and Bombay provided a tempting opportunity for making the Company relatively independent of the Indian powers. The rapidly increasing volume of Company's trade in the 1670's had greatly raised its stakes in the East India affairs, which were being threatened by the interlopers at home and Dutch in Asia. It was becoming obvious that some vigorous counter-measures would have to be adopted to meet the growing challenge.<sup>17</sup> *“If any of these Interlopers offer Violence or Force to any of the Natives who are our Allies and Friends (as all are with whom We have Trade) We would have you command our Captains Officers and Seamen to rescue and protect these Natives, and to resist such violence and Force by Force of Arms whatever the Consequencies.”<sup>18</sup>* The attitudes towards the governors also underwent a change *“ffor now you have So Strong a Garrison and so many Ports to buy our goods at to thee Southward, you may at any tyme, (by forbearing Trade in Lingapa's Country, and by filling our Stores with Rice from Porto Novo and Bengall) compel Lingapa to give you a fair quarter, and So we would have you to do, and Show a Martiall countenance to him, if there be a cause for it, especially in that most essential matter of St. Thoma, Tho' if by witt and a little money you can get a Phirmaund for the ffarm of it for years, it wilbe the best way, and then you will have a just ground,*

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<sup>16</sup> The Company to Fort St. George (Letter Book, Vol.vi., 3<sup>rd</sup> Dec., 1679)

<sup>17</sup> In 1686, Child wrote to Madras that the interlopers and Dutch were responsible for disturbing the Company's ancient 'peaceable way' and that as to these two parties 'we look upon the Mogoll's Governours but as instruments which we hope to compel by fair means or foul to use us better hereafter', *ibid.*, 9<sup>th</sup> June 1686 vol. 91, p.145.

<sup>18</sup> Despatches, 27<sup>th</sup> October, 1682

*defend and destroy all buildings there by the force of Arms, as you shall find most conducent to our Interest and the support or encrease of our Revenue at Madrass*"<sup>19</sup>

During the 1680s it became evident to Sir Josiah Child that there was a need for a fort in every region in which the company had settled a trade.<sup>20</sup> A series of pamphlets circulated in England arguing the necessity for forts in India. The writer representing the company in 1681 estimated that it had expended more than £300,000 on warehouses, garrisons, and negotiations with Indian rulers.<sup>21</sup> Another pamphlet of the same year put the annual expenditure on "forts, castles, soldiers and otherwise" at £100,000.<sup>22</sup> *In 1686 the company went to war with the Mughals, with the intention of making the English "nation" as formidable as any of the other European powers in India, and this could not be accomplished without fortified bases, which paid their own costs.*<sup>23</sup> The following year the directors took to task their servants at Fort St. George, Madras, for being timorous and over-concerned with their own safety.<sup>24</sup>

The merchants had decided to become warriors. In a letter dated 6<sup>th</sup> June 1687, we find the following, *"For the King of Golcondah's writing to you, you may acquaint him in a decent and friendly manner, that we are none of his subject.. But if nevertheless he pretend to any dominion over your city, you may, when you are in a good condition, tell him in plain terms that we own him for our good friend..and sovereign and lord paramount of all that country, excepting the small territory belonging to Madras, of which we claim the sovereignty, and will maintain and defend against all persons, and govern by our own laws, without any appeal to any prince or potentate whatsoever, except our Sovereign Lord the King, paying unto him the king of Golconda, our agreed tribute of 1200 Pagodas per annum. And if ever he break with you upon these terms, we require you to defend yourselves by arms, and from that time renounce paying him any*

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<sup>19</sup> Despatches, 14<sup>th</sup> January, 1685

<sup>20</sup> S.A Khan, *The East India Trade in the Seventeenth Century in its political and Economic aspects*, (London, 1923), p.201

<sup>21</sup> Anonymous, *A treatise Wherein is Demonstrated that the East India Trade is the Most National of All Foreign Trades* (London, 1681), p.36

<sup>22</sup> Anon., *The East India Company's Answer* (London, 1681), p. 14.

<sup>23</sup> Despatch to Fort St. George, 28 Sept. 1685

<sup>24</sup> Despatch to Fort St. George, 26 Aug. 1687



more tribute."<sup>25</sup> In 1688 Child reiterated the company's belief in the necessity for fortified settlements by which English servants, shipping and estates could be secured, particularly in Bengal. He considered also that the joint-stock company was the organization best able to absorb the costs of such an infrastructure.<sup>26</sup> Child's ardent advocacy of a policy of dominions in Asia was founded on his belief that the commercial success of the Dutch Company was due to its political strategy.<sup>27</sup> His own war policy was aimed at winning a formal recognition from the Mughal Empire of the Company's right to trade as a sovereign power. *By becoming a local territorial power the Company would be in a position to raise revenues which in its turn would make the English a nation in India. To trade in India as mere merchants by courtesy of the local rulers was to make a 'very silly figure' unbecoming a national organization.*<sup>28</sup> *The expulsion of the English from Bombay Island and Bengal by the 1690's discouraged them greatly. In a letter written to Madras in 1690 it was expressed that the Mughal emperor was as weary of the war as they were. For though he was a very great and rich prince who attached little weight to trade, yet they had reason to believe that 'he draws more annuall profit from Trade especially from his Manufacturers within the Land than all the princes upon the face of the earth and it is no great pleasure to a great prince to see such multitudes of subjects starve for the want of employment'.*<sup>29</sup> *It was clear that the attempt to wage war on 'that Great Monarch the Mogull' was a very dangerous thing to do. But they thought that it was just war which has prevented the Company's affairs being totally ruined by the English interlopers and the extorting Moor governors.*<sup>30</sup> *The old attitude which saw the Company as a victim of political oppression rather than an imperial force in search of territorial possessions was back again, and the desire for local revenues and the freedom from having to pay tribute to the Asian redistributive enterprises also remained.*

<sup>25</sup> Despatches from England, 6<sup>th</sup> June, 1687

<sup>26</sup> Josiah Child, A Treatise Concerning the East India Trade (London, 1681), p. 5; see also Josiah Child, A New Discourse of Trade (London, 1693), p. 8 *The deliberations about it in the British parliament and the adjustments that were made accordingly will be dealt with in the later part of the work*

<sup>27</sup> For Child's views on the point, see, Despatch Book., 14<sup>th</sup> January, 1686, p.37,47; 9<sup>th</sup> June 1686, p.145 28<sup>th</sup> September 1687, p.419

<sup>28</sup> *ibid.*, 11<sup>th</sup> September, 1689, vol. 92, p.64

<sup>29</sup> Despatch Book, 30<sup>th</sup> May, 1690, vol.92, p.103

<sup>30</sup> *ibid.*, 13<sup>th</sup> May, 1691, p.161

By 1698 the company estimated expenditure on its infrastructure at approximately a million pounds. It is evident, therefore, that by the end of the seventeenth century the English had a committed view on the necessity for forts in their trade with India. They viewed these as primarily for defence, but had attempted to use them as bases from which to launch an offensive against the Mughal Empire. Any direct attack on the trading privileges legitimately won from the imperial court, by Mughal officers, invariably invited armed retaliation. It is also clear that the infrastructure as a whole had become a major part of the English investment in India. Fortified settlements, as with the Portuguese and the Dutch, had become the norm in English perceptions of the Anglo-Indian relationship.

*Fortifications for defence were understandable in commercial terms during the mercantilist era, especially where English commerce in India was seen to be struggling in an often-hostile environment.* This is undeniable, and as such constitutes the bases of the argument about defensive fortifications. But to be able to defend a position it is necessary to have enough strength to gain a position worth defending. On the one hand is the perceived threat, and on the other is the capability to act upon that perception. From the early years of the relationship with India, Englishmen had a very clear idea of their ability to react to the perceived threat. The essence of this ability was maritime power. English East Indian shipping of the early seventeenth century was designed not only to carry commodities, but also to perform two other important functions, both of which were made necessary by the dangers of long-distance overseas trade. They were armed for defence and were highly maneuverable. They had to be, because of the presence of corsairs and pirates operating out of the Mediterranean, along the African coasts, and in the Indian Ocean. Heavily armed vessels could, when the need arose, be used to fight the Portuguese and the Dutch. They could also impress Asian potentates.<sup>31</sup> A second characteristic, central to English attempts to establish what A. P. Thornton has so succinctly described as an "image of dominance",<sup>32</sup> was the

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<sup>31</sup> Ralph Davis, *English Merchant Shipping and Anglo Dutch Rivalry in the Seventeenth century*. p7-17

<sup>32</sup> A. P. Thornton, *Doctrines of Imperialism* (New York, 1965), p. 2.

belief in fear as the key to the Anglo-Indian relationship. Sir Thomas Roe understood that peaceful coexistence, giving due respect to individual sovereignties, was impossible. There was, therefore, an absolute necessity for the relationship to be based on fear. Since the English were themselves apprehensive in India they attempted to redress the balance by making Indian rulers fear them. "*So that only for a little fear we were entertained; but for our trade or anything we bring, not at all respected*".<sup>33</sup> Belief in their own maritime supremacy, and the necessity of maintaining a relationship within which Indians feared them, encouraged the English to employ force against Indian governments. The use of force was not consistent, nor even inevitable in any given circumstance. The English showed great flexibility of response, reacting to each situation as it came about. It is also true that force can be regarded rather as a "strategic deterrent" than a "tactical weapon" in Anglo-Indian relations,<sup>34</sup> but only if we disregard the two notions discussed so far. In the 'General Letter dated 27<sup>th</sup> August, 1688, the following remarks appear- "*The subjects of the Mogul cannot bear a war with the English for twelve months altogether, without starving and dying by thousands, for want of work to purchase rice; not singly for want of our trade, but because by our war, we obstruct their trade with all Eastern nations, which is ten times as much as ours, and all European nations put together. Therefore we conclude Fort St. George is now much more worth and secure to us, than ever it was in the mean King of Golconda's time; for he had little at sea for us to revenge ourselves upon; but now if new injuries should be offered us, we have a fat enemy to deal with, from whom something is to be got to bear our charge.*"

Along the Coromandel Coast, the English had established Fort St. George as a haven within the internecine conflicts of the Carnatic. Similar attitudes were dominant among Englishmen, who viewed Indian affairs from the comparative safety of Fort St. George. Even old Nicola Manucci, with his fifty years of experience in Indian courts, considered himself safe at Madras. He went even further when he asserted his belief in

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<sup>33</sup> Embassy of Sir Thomas Roe to India, ed. Foster, p. 162. Sir Thomas Roe to Capt. Martin Prong, 14 Feb. 1617/18, "Nature is easier to deal with when it is a little afraid", in *ibid.* p. 462, "Until we show ourselves a little rough and busy, they will not be sensible", in *ibid.*, p. 462; Roe to the factors at Bantam, "Nothing but fear keeps a Moor in awe; use him kindly and he will abuse you, but deal with him in smooth words and nipping deeds and he will respect and reverence you".

<sup>34</sup> Chaudhuri, *Trading World of Asia and the English East India Company*, esp. p.117, 126

the ability of Europeans to overcome many times their number of Indian forces.<sup>35</sup> His view was the familiar one: "employing force against them brings them to reason though it be against their will".<sup>36</sup> Thomas Pitt, a man of forceful temperament, was not one to tolerate injury from Indian governors, especially if he considered that he was in a position to "bang" them." His advice to his employers in 1701 was to use force in the Persian Gulf and at Surat to overcome such difficulties." In 1699, owing to the uncertainty as to the intentions of Nawab Daud Khan, Pitt called the military officers for a report on the state of the Black Town defenses and the work for the fortification of Black Town was immediately undertaken. As recommended by the Company in 1683, "the Inhabitants may pay the full Charge of all repairs and fortifications, who do live easier under our Government than under any Government in Asia, or indeed any Government in the known part of the World."<sup>37</sup> The inhabitants were called on to provide funds for the work: "*This morning (10<sup>th</sup> May, 1699) the Chiefs of severall Casts mett at the Fort, and were discoursed by the Governour and Council about raising a tax for the building a Brickwall round the blacke town, but came to no resolution.*"<sup>38</sup> *When the heads of the castes in Madras showed reluctance to pay up, they were confined in a temple by Thomas Pitt until they acquiesced.*<sup>39</sup>

However, force was not to be used without discretion. It was only to be employed when peaceful negotiations had failed. Negotiations were conducted on the basis of a known enthusiasm for resort to force, and this inevitably contributed to the tensions within the relationships. Maintaining a balance between the costs of such operations and the need to show strength, in order to keep the demands of Indian governors to a minimum, was the essence of the relationship between the company, its servants, and the Indian

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<sup>35</sup> Manucci, *Storia da Mogor*, ii, p. 414.

<sup>36</sup> *Ibid*, iv, p.58

<sup>37</sup> Company to Fort St. George, 31 May 1683 (Love, *Old Madras*, I, 470), Despatch from England, 20<sup>th</sup> July 1683, Despatches from England, urges the government to charge "murage" from Indians for fortification of the Black Town without alienating them, and the despatch dated 12 January 1686 states, "Wee expect . . . You should gett Black Town walled in, but not at sixpence charge to us."

<sup>38</sup> Record of Fort St. George, *Diary and Consultation Book*, 10<sup>th</sup> may, 1699

<sup>39</sup> *Ibid*. Vol. xxxvi., 12<sup>th</sup> Sept. 1706, "The Heads of the Casts having been confined some time in order to compel them to assess and raise the money for the Town Wall..."

ruling elites. It was far simpler to overawe the petty governors than it was to act against the nawabs and subahdars. At the same time the possible implications of acting against local governments had to be weighed against the benefits of such actions, and possible reactions from more powerful rulers. The decisions were not taken lightly and appear to have been discussed rationally by the resident English officials. Throughout the first half of the eighteenth century, resident Englishmen exercised force as a curb on the excesses of Indian governors. The old notion of the silver salve being part of the relationship with Indian governments, along with that of fear and force, was abandoned in favour of the latter. During the eighteenth century this hesitancy was not so much the result of memories of the failure of the late 1680s; rather was it uncertainty about the extent to which the "intestine broils" in India had weakened the central polity. The above stated view is clear from the following: *"We must further observe to you on this Occasion, that the Oldest of us never knew the Dutch or English fortified in any Place from whence they were beat out by the natives Demands and Sieges we have sometimes suffered ,but the Peace is commonly made with small Piscashes as you may remember when Lingapa besieged your Fort ,made great Pretences, stopt all the Roads and Sometimes We beat off his Guards, but the War ended in a Piscash of about 350 pounds, It were easy for the Mogol to beat all the European out of his Country, if he would set his strength to it, but he will never do that, knowing their Trade fills his Coffers, though his Officers will sometimes make a bustle and talk big to get his Piscashes from us, which is our easiest kind of Warfare in such Cases ,But they may do a great deal of mischief if they be too much slighted or provoked to Anger, therefore it is convenient to be civil to them, but not too free of our Purse lest they come too often, Upon the whole Matter it is our positive order that as soon as Fortifications are finished, you settle the Customs at Vizagapatam in the same manner as they are at Fort St. George. if prudently we must favour any Case there, It ought to be the Moors, until our by Fortifications are perfected, And we are in Conditions to defend our Selves against any Body of Natives as the agent and Council in Bengal say they are already at Chuttanattee."*<sup>40</sup>

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<sup>40</sup> General Letter to Fort St. George Dated August 26, 1698 Per Northumberland Gallery Via Bombay. (Letter Book Vol.10, pp 96-100) (India Office transcript)

Establishing and developing fortified settlements, utilizing maritime power, emphasizing the idea of fear, and the overt exercise of force, were all components in the evolution of an expansionary ideology among the English in India. They also believed in the "sanctity" of the English flag and in their own sovereignty within India. Sovereignty can be seen in the expression of extra-territoriality claimed by Englishmen, in their demands to live within their settlements according to their own laws and religion. Their claims to property rights had to be established in the early firmans, and against the rival claims of Mughal rulers. Sovereignty as such became an issue during the conflicts with the Mughals between 1686 and 1689. It was interpreted as a claim to sovereignty over the "small territory belonging to Madras", which the English would "maintain and defend against all persons, and govern by [their] own laws without any appeal to any prince or potentate whatsoever, except [their] sovereign lord the king".<sup>41</sup>

Another important noting which throws considerable light on the subject undertaken in this research is as follows, "*We have our Charter for three Years inviolable, and we have the same Act of Parliament to trade for ever for Three hundred and Fifteen Thousand pounds yearly, which keeps the way open to all our Propriety and Possessions in India, And we don't doubt, if we wanted to enlarge the Sum we may buy more if we pleased very good Pennyworths of those that have paid dear for them before the three Years are out, So that if you do your parts abroad faithfully, which we no ways doubt, as well as we hope to do Ours here it seems to us not improbable, But the New Stock, which now costs one hundred pounds per Cent, may come within two Years after the departure of our intended Fleet this Winter to be purchased at a much lesser Rate, And by that time it is probable we may both be weary of fighting, and be Friends, when we have smarted as much as they have made us for several years past, And the English Nation by that time become wise enough to see that, which all the world knew long since Vizt. That no Nation can thrive by an East India Trade or support it long and to publick advantage, without one entire East India Company armed with Forts and Fortifications, and the same Power and Authority in all respects as ye Dutch Sovereignty gives to their East India*

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<sup>41</sup> Despatch to Fort St. George, 6 June, 1687

*Company, which is a certain truth and will be found so in conclusion notwithstanding what the Interlopers have suggested to the Contrary.*"<sup>42</sup>

By 1757 developments within the Anglo-Indian relationship had reached the stage where the company's entitlement to booty from India was being contested by parliament itself. The ensuing debate was couched in terms of sovereignty over which crown and parliament had the higher claim.<sup>43</sup> It is important to note that the idea of sovereignty as perceived then was mainly related to having supreme authority with a strong element of 'power' in it. Mercantilism as a system of economic policy was designed to increase the power of the state; all economic activity was made subservient to that end. The question arises: *Was this power "conceived as an end in itself, or only as means for gaining something else, such as well being of the nation in this world or its everlasting salvation in the next?"*<sup>44</sup> Heckscher's answer is that power was an end in itself, to which all other considerations must bow and to which all economic activities must be bent. The quest for plenty must be subordinate to the quest for power, and every economic enterprise must be approved or condemned accordingly to its effect in strengthening or weakening the state's muscles.<sup>45</sup> Economic life must be "mobilized for political purposes."<sup>46</sup> However Heckscher has retreated in his revision so far as to admit, "both 'power' and 'opulence' - to make use of the terms employed by Adam Smith- have been, and must be, of importance to economic policy of every description".<sup>47</sup> But he still insists that mercantilism put power above opulence, in contrast with laissez faire, which made the creation of wealth its lodestar, with small regard to the effect on the power of the state. *What did the mercantilist state want to do with its power when it got it?* Use it partly for dynastic, religious, or diplomatic ends, but also to advance economic aims. As C.R.Fay

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<sup>42</sup> General Letter to Fort St. George Dated August 26, 1698 Per Northumberland Gallery Via Bombay. ( Letter Book Vol.10, pp 96-100) (India Office transcript)

<sup>43</sup> Report of H.M. attorney, solicitor and advocate general, 24Dec.1757:ChathamPapers, Public Record Office, London, 30/8/99, pt. 2, fo. 237., as cited in Ian Bruce Watson, 'Fortifications and the Idea of Force in the Early English East India Company relations with India', Past and Present, No.88, (Aug.1980), p.82

<sup>44</sup> Heckscher, II, p.16

<sup>45</sup> Debate on the issue of 'power' and 'plenty' has been taken up Professor Viner in his article, "Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries", World Politics, Vol.1, No.1 (Oct., 1948).

<sup>46</sup> Heckscher, Op cit, II, p.21

<sup>47</sup> Economic History Review, p.48

has pointed out, England fought its rivals for access to the New World and the high seas in the sixteenth century, for the carrying trade in the seventeenth century, and for an overseas empire, conceived as source of raw materials and a market for manufactured goods in the eighteenth century.<sup>48</sup> Mercantilism was not a gospel of states that were satisfied merely to defend themselves and keep what they had already; it was a weapon for aggression, for acquisition, for securing more political power and economic benefits. Also it is to be noted that whether the silence of laissez faire exponents about power was not due to the fact that they happened to live in a powerful country which was in no danger of attack and in a world that somehow managed to escape a first class continental war between 1815 and 1914. Whether power was used as means or end, it influenced the attitude of the state toward most forms of economic enterprise. In addition, the mercantilists realized that the power of the state was to be promoted by the general increase in the total national income, which might be drawn upon by the state through taxation. It was as means to this end that they developed their policy of protectionism.

By offering a sanctuary for Indians the fortified settlements became of crucial importance in altering the traditional relations between Indians during a period of deteriorating order. Aungier's arguments in 1670, in favour of fortifications at Bombay to attract Indian settlers, was itself a reflection of the success enjoyed at Madras. The attacks by the Marathas on Surat in the 1660s clearly demonstrated how Indian merchants came to see the English settlements as havens for themselves and their property. While many of the merchants suffered losses when the local Mughal governors failed to repulse the Marathas, those merchants who had sought sanctuary within the English factory saved their property.<sup>49</sup> Madras had set the example in attracting Indian populations into English settlements. As Alexander Hamilton saw the success of Madras as largely due to the safety and freedom which it afforded to "merchants of all nations"<sup>50</sup> "...the War carried on at Bengal and Bombay, by the English against the Mogul's Subjects, from 1685 to 1689, made Fort St. George put on

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<sup>48</sup> C.R.Fay, Imperial Economy, p.2

<sup>49</sup> ibid. p.83

<sup>50</sup> Alexander Hamilton, A New Account of The East Indies, ed.W.Foster, 2 vols. (London, 1930), I, p.199



*better dress than he wore before; for the peaceable Indian merchants, who hate Contention and War, came flocking thither, because it lay far from those Incumbrers of Trade and near the Diamond Mines in Golcondah...*"<sup>51</sup> In the settlement the populations paid levies, dues and customs to the English.

Protection and sanctuary imply the existence of effective force with which to provide and maintain them. These notions intensified in the course of time and were themselves sustained by English attitudes towards raising revenues in their settlements. Originally seen simply as one "*way to save on the costs of maintaining the infrastructure of the company, revenues from this source became of central importance to the way in which the English regarded their presence in India*". Although the sums were small compared with the returns to the English following the campaigns in Tanjore, Bengal, the northern Circars and Surat, by the mid-eighteenth century they nevertheless comprised a great number of taxes, duties, levies and cesses, which affected almost every aspect of life within the settlements. There were fixed revenues: ground-rents, quitrents, and a number of tax-farms; and there were the variable revenues from sea and land customs, mint duties, licence and pass money, consulage, and a host of minor duties on conveyancing, and contractual transactions. The figures for revenue are scattered throughout the company's records, and appear to have been only irregularly collated by company servants during the period. Nevertheless it is possible to discern an upward trend in the amount of revenue collected, which is wholly consistent with the assumption that, once instituted, revenues and their increase become of prime concern to those responsible for their collection. This was all the more crucial since the expenses of English settlements were generally in excess of revenues for most of the period in question, and most particularly at times of crisis.

At Fort St. George by 1679 some £2,903 was entered as revenue, while £5,209 was recorded as expenditure; of the latter figure, £2,818 represented the costs of the garrison at the fort.<sup>52</sup> Eighteen years later, in 1697, the company collected £16,285<sup>at</sup> Madras,

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<sup>51</sup> *ibid.*, p.201

<sup>52</sup> Watson, *op cit*, p.84

and £11,996 at Fort St. David, Cuddalore. By 1714 the amount collected at Fort St. George had risen to £36,324, but declined by 1727 to £25,600. Of this latter figure, £ 12,800 came from sea customs. Ten years later the sum of £25,777 was collected, while expenses were recorded as £15,861, of which £6,850 was spent on the garrison. Over the next decade revenues tended to remain at about the same level, but expenditure increased sharply, as the hinterland was subjected to incursions by the Marathas, and as Anglo-French relations deteriorated into open conflict. In 1743 expenses amounted to £20,875. After the return of Madras to the English it took a while before revenues could be restored to their former level, and in 1750 only £ 12,800 could be raised within the settlement. This had increased to £18,880 by the following year, while £46,315 was collected in 1754. In 1753 the company had managed to gain from its campaign in Tanjore some £80,000, which it hoped would continue as annual revenue.<sup>53</sup>

The important consideration about revenues and their imposition is not that they were levied from English nationals, but that they were also levied from, and paid by, other nationals. This was a shift in authority, whether conceded or taken, and constituted a development of the infrastructure necessary for implementation of mercantile policies. Revenue collecting contains the capacity for an infringement of authority because of a structural necessity to expand the revenues once the mechanism of collection is instituted. This was perfectly clear to the directors in 1694, when they informed the council at Fort St. George: "*It is undoubtedly our interest to make our garrisoned ports in India marts for nations, which will in a few years aggrandise our revenue, and with that our strength*".<sup>54</sup> As the necessity for "garrisoned ports" became the dominant ideology among the company's directors, so the costs of implementing the policy mounted. As the infrastructure expanded, so there was greater pressure on the inhabitants to pay for it. This demand could only be justified by the quality and effectiveness of the protection offered, and this in turn necessitated a better and more expensive infrastructure. The directors were in no doubt about this connection, "protection being the true foundation on which all pretences for raising customs

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<sup>53</sup> Calendar of Madras Despatches, 1744-1755, ed. H.H.Dodwell (Madras, 1920), p.211

<sup>54</sup> Despatch to Fort St. George, 3 Jan. 1693-4

subsidies and other taxes are originally built".<sup>55</sup> What was also clear to the directors was the need for tenable positions, "secure against any attempts of the Moors".

Throughout the period under review the English in India understood clearly that many of their actions infringed official agreements with Indian governments. The clarity of the notions expressed suggests an ideology, and one, which became self-sustaining in its attitude towards Indian rulers during the period. This chapter has presented a number of themes, which contributed to the development of this ideology, which had become dominant by the middle of the eighteenth century. From the outset there was the idea of English strength based on maritime power, and from this basic-premise there followed the idea of fear as the key to the Anglo-Indian relationship. The need to establish defensible positions to protect English trade has therefore to be seen as both defensive and offensive in nature. It was defensive in its response to the perceived threat from internecine warfare on the subcontinent, and from extortion by individual Indian governors. The quality of the defence then allowed an offensive characteristic to develop, not only in the obvious sense of using the bases as points from which to attack Indian polity to redress perceived injuries, but also in less tangible ways. By providing sanctuary for Indians the fortified settlements were instrumental in attacking Indian perceptions of traditional authority. By becoming relatively inviolable, English settlements represented a challenge to Indian authority around them.

The notion of sanctuary also sustained the English belief in their extra-territoriality, and in their "right" to govern their settlements as they saw fit. Whether Indian governors regarded sovereignty in quite the same clear-cut manner is arguable, but it was also immaterial. As far as the English were concerned their sovereignty was precious to them, and they did whatever they could during the period to sustain this belief. And while force had the capacity to become an economic transaction, the idea of force and its material expression by Englishmen was a central characteristic in early Anglo-Indian relations. The concept of sovereignty cannot be delineated easily with the intention of hunger for power for their own nation. In this context it is easy to perceive that the

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<sup>55</sup> Despatch to Sir Charles Eyre, 20 Dec. 1699, in *Old Fort William in Bengal*, ed. Wilson, I, p.47

element of 'power' and 'plenty' were the guiding factors in the English progress in India. Mercantilism as understood through the above mentioned categories was manifest at every step the Company took on the Indian soil.

### **Structure of the East India Company:**

Although the modern multinational corporation is usually regarded as a product of changes in the scale and nature of business that have occurred since the middle of the nineteenth century, there are examples of large, integrated firms dating back to the sixteenth century. Perhaps the most celebrated of these were the English and Dutch East India companies, established in 1600 and 1602, respectively, with a national monopoly of trade with Asia. The grant of exclusive trading rights to particular areas had long been enjoyed by chartered companies, a notable example being the Company of Merchant Adventurers. The earliest companies, which handled well established trades were organized as regulated companies in which the governing body, having negotiated trading treaties and established warehouse facilities, merely set broad operational parameters within which members traded on their own account.

The companies that appeared from the middle of the sixteenth century were rather different, their monopoly status being seen as encouragement and recompense for forging exploited monopoly powers by trading as a corporate enterprise. Some shareholders were merchants actively engaged in trade, but others were passive investors who delegated management to paid officials directed by a governor and assistants elected amongst their ranks. Adam Smith, argued that this separation of ownership from control contributed to gross administrative inefficiency, inattention to detail, and the pursuit of managerial goals, which raised prices to consumers and reduced returns to shareholders. He believed that only extraction of monopoly rents ensured the success and continuance of such companies.<sup>56</sup> In a recent series of articles, Ann Carlos and

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<sup>56</sup> Adam Smith, *Wealth of Nations*, p. 754-57

Stephen Nicholas<sup>57</sup> have cast doubt upon this traditional interpretation. They argue that the joint-stock chartered companies, far from being comparatively inefficient institutions, represented the optimal organizational form for conducting long distance trade. The chartered companies' business, like that of the late-nineteenth century multinationals was "characterized by a large volume of transactions in many different locations," which prompted a similar organizational response, namely, the adoption of a vertically integrated structure and an administrative hierarchy that enabled them to economise on transaction costs and overcome the limits to management encountered by owner-managed firms. The chartered companies adopted control systems that were intended to limit opportunistic behaviour by their servants. In terms of transaction cost economizing and administrative control, "the chartered companies were analogues to the modern business corporation."<sup>58</sup> It is difficult to assert that the chartered companies constituted the least-cost transactional mode for conducting foreign trade, because there is ample evidence to indicate that in spite of the systems and structures employed, they experienced significant transaction cost disabilities. However, the fact that a comparatively inefficient transactional mode was widely preferred for the conduct of long-distance trade suggests that chartered companies offered benefits that more than offset relatively high transaction costs.<sup>59</sup>

The principal benefit of operating as large scale, vertically integrated enterprise was that the companies were better able to appropriate and maximize monopoly rents than franchisees trading individually. Like manorial lords who farmed their own demesnes, chartered companies were able to control operations and implement systems in such a way that yielded maximum returns, and enhanced returns from direct exploitation. Chartered companies developed as large vertically integrated enterprises "not because a private market did not exist, but because operating by managerial fiat inside the hierarchical firm was less costly than using the market." Their superior efficiency is viewed as the product of organizational innovations that enabled them to handle a large

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<sup>57</sup> Ann, M Carlos and Stephen Nicholas, "Giants of an Earlier Capitalism: The early chartered Trading Companies as Modern Multinational.", *Business History Review* 62 (Autumn 1988), p.398-419

<sup>58</sup> *Ibid.*, "Giants", p. 400

<sup>59</sup> S.R.H. Jones and Simon P. Ville, "Efficient Transactors or Rent Seeking Monopolists? The Rationale for Early Chartered Trading Companies" *The Journal of Economic History*, Vol.56, No.4 (Dec. 1996)

volume of recurrent transactions at less cost than small individual enterprises of more limited scope. Of particular importance was the development of administrative structures that enabled them to acquire and process complex market information; "it was the efficient processing information...that gave the early trading companies their advantage over the market."<sup>60</sup>

It is important to refer here to the internalization thesis offered by Peter Buckley and Mark Casson, the central feature of which is the relationship between set-up and direct costs.<sup>61</sup> Set up costs were substantial for chartered companies which in addition to headquarters staff, often incurred heavy expenditure on forts and factories overseas. The set up costs for individual traders, who might procure domestic cargoes themselves and use supercargoes to trade from vessels overseas, were correspondingly light. In addition to set up there were also direct costs involved in transacting business, and with freight and insurance constituting a major cost, these probably rose roughly in proportion to the goods traded. However, direct trading costs were generally less for chartered companies than individual traders as they might rely on permanent shore establishments to economize on search, negotiation and enforcement expenditures.<sup>62</sup> It is important to highlight the administrative structures and systems that were adopted, on a priori basis, and might have led to reduction in the transaction costs. The way in which responsibility for the procurement of European trade goods, shipping, gathering information, and conducting correspondence was handled at home by a system of committees and how the establishment of forts and factories abroad was designed to eliminate middlemen and improve scheduling.

The ownership of forts and factories along with the employment of a corps of highly skilled factors can be seen as yielding decisive trading advantages. One can explain such investment by the "*frequent and recurring nature of transacting and the type of trade goods sold,*" with forts and factories providing secure trading and warehousing facilities in an uncertain environment. This represented a credible commitment by chartered

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<sup>60</sup> Carlos and Nicholas, "Giants," p. 404, 407, 411

<sup>61</sup> Buckley, Peter J. "New Theories of International Business: Some Unresolved Issues." In *The Growth of International Business*, edited by Mark Casson, 34-50. London: Allen and Unwin, 1983

<sup>62</sup> Carlos and Nicholas, p.407

companies to an ongoing and substantial trade, especially helpful when negotiating with foreign potentates, contracting with supplier, or establishing new market networks. Company staff abroad also developed trading expertise, buying keenly and helping to ensure that vessels were fully laden and promptly dispatched.<sup>63</sup> Despite the success of individual traders, it can be said that the superior efficiency properties of chartered companies enabled them to sustain a competitive advantage in trades in which large volumes were involved.

### *Chartered Companies As Rent-Seeking Monopolists:*

The notion that chartered companies were rent seeking monopolists was discussed by pamphleteers and regularly debated in Parliament long before the publication of the *Wealth of Nations* in 1776. The chartered trading companies, although far from popular, were allowed to retain their privileges in recognition of the fact that they financed the cost of public goods necessary to prosecute trade in new and hitherto undeveloped markets. Adam Smith accepted that “a temporary monopoly of this kind may be vindicated upon the same principles upon which a like monopoly is granted to its inventor.” Nevertheless he was opposed to permanent monopolies, believing that trade should be thrown open to all after a period of time and “forts and garrisons, if it was found necessary to establish any, to be taken into the hand of government, their value paid to the company.”<sup>64</sup>

The charter provision of the companies did not prescribe organizational form; although it was assumed that trading would probably take place on a joint-stock basis, franchising either through a regulated company or a system of licenses, was also regarded appropriate. Members of the English East India Company were equally indecisive, framing a charter that although intended for a joint stock company contained many expressions that would be more appropriate to a regulated one.” Several reasons have

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<sup>63</sup> Carlos and Nicholas, “Giants”, p.411-13

<sup>64</sup> Smith, *Wealth of Nations*, p.754-55

been advanced to explain the general preference for the joint-stock form, including the high levels of risk and the considerable fixed and sunk costs involved in the politics and defence of long distance trade. The companies themselves stressed that "*Trafique with infidels and barbarous nations*" could only be developed and sustained by companies willing to finance the construction of forts and factories and bear the costs of commercial negotiations with princes and potentates. It was hardly fair, they argued, that having established a trade at such a vast expence and trouble, others should benefit "that have had nothing of the burden and the charge."<sup>65</sup> One advantage of the vertical integration was that chartered companies could point to the expenditure on forts and factories and use it as a basis to plead for the continuation of their trading privileges. It was an argument regularly employed by all English companies, to the extent that skeptics might argue that their forts afforded greater protection at home than they did abroad. There were more immediate reasons for adopting the joint stock form, not the least being that it provided royalty, courtiers and other passive investors with a convenient means of participating in the profits of a monopolized trade. A regulated company or other type of franchise would have mostly excluded such investors who had neither the skill nor inclination to engage directly in mercantile ventures but whose political influence was instrumental in securing and preserving monopoly charters. The crown also preferred joint stock companies both as a medium for investments and because of the scope for raising loans from such bodies.<sup>66</sup>

There is ample evidence that chartered companies attempted to extract rents wherever they achieved market dominance. Generally speaking, they were better able to influence the prices at which they sold goods at home than the prices at which they purchased goods at home and abroad. Nevertheless, companies sometimes achieved monopsonistic power in their territory over the sale of certain domestically produced items whereas bribery and coercion might enable them to secure favorable buying terms and deny trading rivals access to cargoes. At sea this was re-inforced by restrictions in the movement of competitors cargoes.<sup>67</sup>

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<sup>65</sup> Davies, Royal African Company, p.33-37, 107-8; Scott, Constitution, vol.2, p.149

<sup>66</sup> Scott, Constitution, Vol. 1, p. 70-71 and vol. 2, p.166

<sup>67</sup> Winius and Wink, Merchants Warrior Pacified, p.78



The question of finances was deeply embedded in the whole idea of maintaining a fortified settlement for commercial gains that ensued from it. The considerable increases in the cost incurred over the maintenance of settlements were constantly debated upon and this was linked up to the larger issue of the structure of East India Company's organization. The Crown had at common law the power of incorporating by charter any number of persons assenting to be incorporated. Early English traders took advantage of this power, having no Companies Acts to register under, and being indisposed to spend money in obtaining Acts of Parliament. The merchants, or adventurers, or pirates were quite willing to accept the conditions of a Royal Charter, and its consequences. They got their corporate name, "the Knot" of their constitution. The corporation's founders were its godfathers, but the sovereign baptized it. It could sue and be sued by its corporate name, and under and in that name it had perpetual succession, with the power to hold property, a common seal, and the power to make by-laws and so on.<sup>68</sup> One instance of how they carried that view into practice is that of the old East India Company. The first Royal Charter of that company was granted in 1600. Until 1610 it had been a common practice of the Crown, by charter or letters patent, to grant to subjects an exclusive right to sell, buy, make, work or use anything within the realm. The East India Company's charter is said to have "contained nothing which remarkably distinguished it from the other charters of incorporation so commonly in that age bestowed upon trading associations. It constituted the adventurers a body politic and corporate by the name of the 'Governor and Company of Merchants of London, trading to the East Indies.'" Subject to certain vested interests it granted to the company the *exclusive privilege of trading to the East Indies*. In 1609 the East India Company obtained a renewal of its charter conferring all its preceding privileges and constituting it a body corporate forever.

The East India Company was originally what was called a "regulated company," not a joint stock company. The company was managed by a chairman and a committee of directorate of twenty-five. The company had some dealings with Cromwell in relation to joint-stock, on April 3rd, 1661, Charles II granted a new charter to the company, confirming its ancient privileges and giving it authority to make peace and war

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<sup>68</sup> Frank Evans, *The Evolution of the English Joint Stock Limited Trading Company*, *Columbia Law Review*, Vol.8, No.5 (May, 1908), 339-361

with non-Christians. The new charter, issued in 1661, was several times revised during the next few years, always with a grant of extended powers to the Company. The Directors were authorized to coin money, to appoint governors of fortresses, to enlist soldiers, to arm ships, to hold the Courts off Admiralty, to enforce martial law within proper limitations, even to levy war and to negotiate treaties 'with any people that are not Christians.' On the other hand the effective control of the shareholders over the Directors was limited by restricting the right of voting to those proprietors who held shares exceeding £500 in nominal value.<sup>69</sup> With the grant of this charter may be said to begin the period in which the Company gradually advanced to be a governing power in India.<sup>70</sup> The country trade was henceforth left to the private enterprise of the Company's servants and to persons licensed to reside there as free merchants. Charters were once more granted in 1683 and 1686, in each of which the powers of the Company as a governing body in India were extended. It was with the thought of this charter in his mind that Sir Josiah Child triumphantly contrasted the Company's former position as '*merely trading merchants*' with its new dignity, "*since His Majesty has been pleased to form us into the condition of a sovereign state in India.*"<sup>71</sup> By the late 1680's, fortifications in the East had come to be regarded as the essential instruments by which 'our servants, shipping, and estate could be secured.'<sup>72</sup> Outlays for military establishments were greatly enlarged and the foundations for transformation of the Company into a territorial power in the East had thus been laid. *The East India Company was now perceived as the lynchpin in a sinister 'military-mercantile complex'*.<sup>73</sup>

In 1684, in the case of the *Honorable East India Company v. Sauidys*,<sup>74</sup> the grant to the company of the exclusive right of trading with India was contested but upheld. The principal ground for this decision was that the sole privilege of trading was in foreign parts. Jefferies, C. J., in the course of his judgment, says: "*I conceive this charter of sole trade to the Indies, excluding others, is neither opposed by the common law or*

<sup>69</sup> C.E. Carrington, *The British Overseas Exploits of a Nation of Shopkeepers*, p.157-8, Furber, p.70-5

<sup>70</sup> Hamilton, *op. cit.*, p. 95

<sup>71</sup> Hunter, *History of British India*, Vol. II, p.304

<sup>72</sup> Child, *Dispatch of April 1688* (as quoted by Shafat Ahmad Khan, *East India Trade*, p.205

<sup>73</sup> Barber, p.45

<sup>74</sup> Evans, p.203

*prohibited by an Act of Parliament: but is supported by both, as will more evidently appear by the practice and constant usage in all times. \* \* \* And it is not denied that if the King should proclaim a war with the Indians, that then it would be a prohibition to all his subjects to have any commerce with them. \* \* \* So that surely this charter, with these restrictions, is much better than total exclusion; and therefore foreign trade is not like our home trade, to which the word monopolies is properly applicable; for that cannot be totally excluded for any time, though never so small, by any act of prerogative."* But the Company by no means enjoyed tranquil progress. It was a Tory stronghold and was hotly attacked by the Whigs after the Revolution of 1688.<sup>75</sup> "The public in general," says Mill, "at last disputed the power of a Royal Charter unsupported by Parliamentary sanction, to limit the rights of one part of the people in favor of another, and to debar all but the East India Company from the commerce of India."<sup>76</sup> It was largely a result of the emphasis laid upon the need for protection and therefore regulated trade.

A regulated Company could maintain fortified settlements, the charges being defrayed by an additional duty on imports. On the question whether a regulated company was capable of a large capital outlay, issue was joined. *How, it was asked, shall the adventurers be assessed for the purchase or upkeep of the forts? By a tax on goods? But in the time of war and danger merchants will forbear trading : "so that there will be no goods to tax when there is most need of money."* A regulated company would be faced with "a constant charge, and, an uncertain and inconsistent revenue" and "when the charge is the greatest , the receipts would be least."<sup>77</sup> "Separate traders" it was remarked in the debates in the House of Commons(1730), "are a rope of sand and can raise no fund sufficient for such a purpose." The East India Company on the other hand, "have always in their hand a real fund sufficient for such a purpose."<sup>78</sup> The difficulty was perhaps not insuperable since regulated company's were able to raise loans. Yet the controversy was vitiated by special

<sup>75</sup> Carrington, p. p.158-9

<sup>76</sup> Mill, History of British India, vol. I, p.129

<sup>77</sup> Lipson, p302

<sup>78</sup> A Treatise wherein is demonstrated that the East India trade is the most national of all Foreign trades. (1681), p.36-7

pleading on both sides, the disputants' adjusting their principles to their arguments. The natural solution to the problem would have been for the state to assume control.

In 1690 a committee of the House of Commons resolved that a new company should be established by Act of Parliament, but that the present company should trade exclusively until the new company was established, and in 1691 the House itself asked the King to dissolve the company and incorporate a new one. William III referred the matter to his Privy Council, and in 1693 gave the old company a new Royal Charter continuing its exclusive privileges for twenty-one years. The prerogative charter of William III to the East India Company did not settle matters even for twenty-one years. The House of Commons voted "*that it was the right of all Englishmen to trade to the East Indies, or any part of the world, unless prohibited by Act of Parliament.*" A rival association of traders to India, or new company, then sprang up, and after some encroachments on the old company's sphere of action a very curious Act of Parliament was obtained in 1698.<sup>14</sup> It is entitled "*An Act for raising a sum not exceeding Two Millions upon a Fund for Payment of Annuities after the Rate of Eight Pounds per Centum per Annum, and for Settling the Trade to the East Indies.*"<sup>79</sup> In pursuance of this Act William III, on September 3, 1698, granted a charter to some of the subscribers of the £2,000,000 on the terms of a "regulated company." Most of the subscribers, however, desired to trade on a joint-stock, and obtained a charter about the same time forming them into a joint-stock company by the name of "The English Company trading to the East Indies."<sup>80</sup> This was an early instance of Parliamentary recognition of the advantages of joint-stock trading. The all-important fact is that, by applying large capital resources from home to the pursuit of the East India trade, the English laid a foundation for future growth and even seriously challenged the Dutch, especially in supplying India piece goods to the European market.<sup>81</sup> (Eventually after long negotiations the Companies were amalgamated in 1709.) The emergence of new joint stock companies was accompanied by the decline of the old 'regulated' companies. The reason for this lay in the nature of the trade itself and in the new relationship of merchant and state brought about by the creation of navigation

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<sup>79</sup> E. Lipson, *The Economic History of England*, Vol. II, *The Age of Mercantilism*, p. 300-1

<sup>80</sup> Evans, *op. cit.* p. 345

<sup>81</sup> Furber, p. 89

code.<sup>82</sup> The new type of Company had its origins in the demand for certain colonial trades for large amounts of fixed capital- for forts, warehouses, and great armed ships- and in the added risks of longer voyages and the frequently hostile context in which their trade was conducted.

In the year 1701, a document, which W.J.Barber termed the first cogent free trading document concerned with the Anglo Indian commerce, mentions that the government should take up the private ownership of the infrastructure. "*Our Factories must well be secured by forts and castles, under the immediate care of the government, as if the same were to be maintained by the joint stock of a Company.*"<sup>83</sup> The seventeenth century was period of turbulence and uncertainty compared to the placidity of the first half of the eighteenth. The old London Company had been constantly challenged from within, first by interloping associations in receipt of royal favor, later by a rival company in receipt of parliamentary favor and another rival Company organized in Scotland. The London Company's finances were periodically in turmoil. By 1714, all was changed; interloping was to be based abroad, not at home. The union with Scotland had ensured the success of the Union of the two rival companies. With the support of the Bank of England, the new united company never lacked support for borrowing the working capital on which its day-to-day operations depended. The company's relations with the state had been stabilized; the company could depend upon strong support in Parliament. The company's staff thereupon proceeded with the reorganization of its business both at home and abroad. However, Company's dependence upon Parliament for the successive renewals of its charter kept alive the question of free trade. The Joint Stock Companies were a regular target for criticism on the grounds of monopoly. On several occasions -in 1719, 1730, and 1768- appeals were made to the House of Commons to throw open the trade to India. In 1730, it was proposed that regulated company should advance the Government £3,200,000 at 2% interest to redeem the existing loan, that the trade should be open to all persons on payment of 1% of the value of their exports to India; and that a duty not exceeding 5% should be levied on their imports to defray the cost of forts and settlements

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<sup>82</sup> Charles Wilson, *England's Apprenticeship, 1603-1763* (Great Britain: Longmans Green and Co.ltd, 1965), p.172

<sup>83</sup> *Considerations upon the East India Trade*, London 1701

in India. However as Wilson remarks, "The case for corporate trading and capital in India in the conditions of eighteenth century was really irrefutable....These pressures towards greater liberty in trade were important; but their object was 'freer trade' and not 'free trade' in its later doctrinal sense."<sup>84</sup>

In the relations of the Company and the State three basic conditions were already apparent in the 17<sup>th</sup> century, and retained its significance at least up to the seventies of the next. The first was the fact that the Company depended for its very existence on the renewal of the charters, and this depended on the favour of the governments. The second, however, was the fact that, though from time to time kings or ministers might concern themselves in the company's affairs in the interest of national prestige in war, of trading prosperity, or (toward the end of the century) of the stability of the rising London money market, the main cause of any intervention into the company's affair was the need of public finance. The company in fact needed the support of government from James I to the ministers of the mid-eighteenth century were prepared to give it in the exchange for contribution to the public purse. Though the company might grow restive under the pressure and their relation with government become strained, in the last resort they were always obliged to submit. The third basic condition of the relations of the state and Company was the result of the first two. Since the Company was perforce closely associated with the government of the day, it was always in danger, in times of political faction, of becoming itself entangled in political issues.<sup>85</sup> In the first half of the eighteenth century the Company in its relation with the State was equally circumspect. The new directors were no more able to isolate themselves from politics. The rapid transition, which took place in the political scene from the last years of Queen Anne's reign to the stable if inert system of Hanoverian England, is most striking. The political system, which Walpole built up, was founded primarily on the basis of the confidence of the Crown.<sup>86</sup> The Company was thus of political significance to the Government in the City as part of the ministerial monied interest there which clashed with an anti-ministerial popular interest both in Parliamentary and City elections. Its main significance in the

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<sup>84</sup> Wilson, *op.cit.*, p.270-1

<sup>85</sup> Lucy.S.Sutherland, *The East India Company in the Eighteenth Century Politics*, p.5-6

<sup>86</sup> Lucy, p.18

governmental machinery lay in that of public finance. It thus more or less maintained a traditional policy of alliance with the government of the day in Hanoverian England.<sup>87</sup> At this juncture the transition that happened in the mid eighteenth century when wars led to the acquisition of new territories and new markets is to be noted.<sup>88</sup> In 1742, the general appetite for more aggressive war forced even Walpole to resign. Amongst the majority who opposed him, most still held the view that 'there was only so much international trade to go round and that England's share would be determined in proportion to her power to grasp and hold it against powerful competitors.' The case was crudely put: it did not differ essentially from what has been described as Pitt's system in a nutshell: *'Our trade depends upon exertion of our maritime strength: that trade and maritime force depend upon each other...that riches, which are true resources of the country, depend upon commerce.'*<sup>89</sup> Nor, in its turn, was this far from the text of Josiah Child in the previous century: *the 'Profit and Power ought jointly to be considered.'*<sup>90</sup> For task and sea power were inextricably bound together. The task of sea power was in essence defensive, but defence could often only be secured by attack. Without it not only the expansion of trade but also the maintenance of what trade the nation possessed would have been endangered.

*In the preceding pages a brief sketch has been given of the ever changing perceptions regarding the Company and of its varying fortunes. The course of events has been outlined which caused them by the middle of the 18<sup>th</sup> century to be no longer merely concerned with commerce, relying upon the trade profit as the sole source of income, but keeping in possession a considerable extent of territory from which the Company looked to derive an important revenue. The downfall of the Mughal Empire and the complete failure of any other native power to consolidate its authority or to secure an efficient*

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<sup>87</sup> *ibid.*, p.26-7, Only two attacks attained any importance during this period and neither was really formidable. The first was in 1730 when, the term of Company's charter nearing its end, a group of merchants in London and the outports tried to supplant it by setting up in its place a new regulated Company. The second was in 1758-9, when a group of dissatisfied tea-dealers tried to force a breach in the monopoly of the Company's tea sales.

<sup>88</sup> T.S. Ashton, *Economic Fluctuations in England, 1700-1800* (1950), p.44

<sup>89</sup> Wilson, *op. cit.* p.281

<sup>90</sup> *Selected Documents of the East India Trade*

*administration had resulted in the emergence of the Company as embodying the real political will within the two spheres most directly affected by its commercial interests.*

It becomes important here to recall at the outset certain broad principles upon which the British commercial policy was based- principles that were generally accepted by the chief trading countries of Europe at the time. Perhaps the first place should be given to the principle of monopoly. The generally accepted method of stimulating trade at home, and still more abroad was to endow those responsible for it with monopoly rights and privileges, subject to certain safeguards in the interests of the state. This idea of monopoly rights was so well understood that, when the merchants of London were petitioning Queen Elizabeth for a charter for their Company, they were required to show that there were extensive territories in the East that were to be regarded as not falling within the privileged sphere of Portuguese interests. When the charter was granted it was expressly provided that the Company should not trade to any place in possession of any Christian princes in amity with the Queen. The devise of monopoly had the justification which does not exist at the present day, for it was only through its exercise that those engaged in trade could be compelled to bear their share of the heavy expense incurred in connection with the quasi-political functions upon the fulfillment of which the continuance of trading operations depended. The monopoly granted by the charter of Queen Elizabeth in 1600 and continued by the succeeding monarchs was indeed frequently infringed, not only by individual interlopers, but even, as in the case of Courteen's Association, by rival bodies enjoying royal protection.

The next important principle for regulation of foreign trade was that it should be in general subservience to the interests of home industries. The most important of these was the native woolen manufacture. It had for long been regarded as the chief source of the country's wealth. Every opportunity was taken of protecting and stimulating it and anything which threatened its prosperity was treated as national danger. The measures commonly adopted for the protection of these industries were designed to safeguard the supplies of raw material while hindering the rival manufactures of other countries from obtaining such raw material except upon relatively disadvantageous terms. At the same time the home markets for the staple industries were as far as possible, secured either by



the imposition of protective duties, or by the enactment of sumptuary laws. Everything was done to hinder the introduction of rival commodities that might curtail the consumption of the staple manufactures.

The third prominent principle of the trade policy at the time was that each branch of foreign trade should be able to justify itself by showing that it was profitable to the nation. This was to be proved by checking whether on balance the trade brought into the country more wealth than it took out. It was regarded as desirable that the favourable balance should be shown in an import of the precious metals. Moreover, it must be remembered that in those days the wide ramifications of the modern banking organization and the easy and rapid methods of remitting international money did not exist. There was thus a real danger that a foreign drain of the precious metals might deprive the country of its circulating medium to an inconvenient extent.

It was one of the charges most frequently brought against the East India Company by its opponents in the 17<sup>th</sup> century that their trade flagrantly violated this principle. In the first instance the difficulty was due to the ignorance of the Company as to the nature of the commodities that would be in demand among the people with whom they were hoping to trade. For this reason the Company, by its first charter, was permitted to export from England bullion to the value of £30,000 on the occasion of each voyage. The Company engaged to bring into England as much bullion as it carried out- an undertaking, however, which it certainly failed to make good and year by year a large proportion of its exports consisted of the precious metals. Indeed throughout the history of the Company it suffered from the fact that India offered but a poor market for the produce of England until, as the result of the Industrial Revolution, she became a producer of cheap cotton goods.<sup>91</sup>

Until the last quarter of the 18<sup>th</sup> century the most prevalent view among the colonial theorists was that the value of colonies depended on the commercial possibilities. Colonial policy was to them but an aspect of the larger goal of nations, for whom economic objectives were mainly the growth of trade and increase in national power.

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<sup>91</sup> Hamilton, *op cit.*, p.88-9

Colonies were not coveted just for the love of possession, nor were they desired as an outlet for the surplus population. Their functions were to supply certain goods and receive certain other goods. In other words, the colonies were conceived as subordinate spheres of development for the mother country.<sup>92</sup> In the seventeenth century the colonies were envisaged as a 'self sufficing economic empire where goods not producible in Britain could be produced, such as tobacco in Virginia and sugar in West Indies. But in the 18<sup>th</sup> century, the changing industrial character of Britain necessitated the import of raw materials such as cotton, dyes and raw silk in addition to the original imports, spices and tobacco. Thus the supposed role of the colonies was to specialize in the manufacture of raw materials and other goods that would not compete with the mother country. The main issue was trade, preferably without colonization, but colonization and aggression would not be avoided if found necessary for the pursuit of trade. This attitude fitted also with Adam Smith's conception of colonies: *'Some particular branches of commerce, which are carried on with barbarous and uncivilized nations, require extraordinary protection. An ordinary store or counting house could give little security to the goods of the merchants...to defend them from the barbarous natives, it is necessary that the place where they are deposited, should be, in some measures be fortified.'*<sup>93</sup> As far as India was concerned, Adam Smith had no objections to the methods adopted by the East India Company in acquiring colonies. In 1770's when the companies had few territorial possessions, he wrote – If the Company did not do it, it would have to be done by the State, and the extraordinary expense, which the protection of any particular branch of commerce may occasion, should be defrayed by a moderate tax upon the branch.<sup>94</sup>

It is possible to argue that the vicissitudes of the East India Company's policy in India followed the prescriptions of the colonial economic theorists. Empire in any real sense of the term began in India only after 1765, the attitude of the headquarters at London earlier being one of great caution. The Company was only a trading body meddling in local politics by their officers was not tolerated. As the English Company did not enjoy the

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<sup>92</sup> Klaus Knorr, *British Colonial Theories 1570-1850*, Chapter IV

<sup>93</sup> *Wealth of Nations*, p.690 It is not very surprising to see Adam Smith advocating this method, for he had nothing against foreign trade, and colonies as he visualized were a great help; colonies would be small yet armed trading posts, more a protective shield than mere possession.

<sup>94</sup> *Ibid.*, p.691

active support of their Government as did the Dutch, French or Portuguese Companies, the East India Company were compelled to carry on their trading activities with the help and protection provided by the Mughal emperors. But in extending their trade, the English traders gradually went more and more beyond the sphere of Mughal protection.<sup>95</sup> The Company realized by the beginning of the 18<sup>th</sup> century that they could consolidate their trading position in India only on the basis of territorial sovereignty, and accordingly approved of their servants in India combining trade with warfare, fortifications, military prudence and political government. Anglo French rivalries had their repercussions in India and this provided yet another reason why territories had to be acquired in India. The Company thus thought that the chaotic situation in India was itself a field of opportunities to the trader who had also the abilities of soldier, statesman and administrator. Besides, the authorities had no illusions about the nature of the protection they were receiving from the ruling monarchs, for the Company had ultimately to rely on its own strength. An instruction from the Court of Directors to the President and Council at Fort Williams read thus: *'We can only for the present, recommend it to you to be on your guard to defend, according to the best of your ability, our trade and settlements'*.<sup>96</sup> But political conquests and colonizing were strictly for advancing trade only, as a letter of the Court of Directors affirms: *'Our business is trade; it is not politic for us to be encumbered with much territory'*.<sup>97</sup> Thus whatever territories Britain acquired in India in the 18<sup>th</sup> century were for the most part due to the presence of her European rivals.<sup>98</sup>

To these reasons must be added the 'Mercantilists' views held by some key officials at the Whitehall. Mercantilists economic policy, as Eli Heckshcher has shown, had a tendency 'to employ private interests as the best implements of its policy.'<sup>99</sup> Inadequate financial and administration resources encouraged the policy makers to create joint stock companies to exercise certain functions which according to the Classical economists should be in the public domain. As against this, Adam Smith in 1776 advocated the

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<sup>95</sup> S.Ambirajan, Classical Political Economy and British Policy In India, p.29

<sup>96</sup> Letter Dated 11 November 1757, H.N.Sinha, ed., Fort William- India House Correspondence, ( Vol. ii, Indian Records Series), p.45

<sup>97</sup> Quoted by Peter Auber, Rise and Progress of the British Power in India, vol. I, P.24

<sup>98</sup> Harlow and Madden, ed., British Colonial Developments: 1774-1834, p.47

<sup>99</sup> Mercantilism, vol.I., P.455

nationalization of the East India Company, because a company of merchants are 'incapable of considering themselves as sovereigns, even after they have become such ... As sovereigns, their interests is exactly the same with that of the country which they govern. As merchants, their interest is directly, opposite to that interest.'<sup>100</sup> Hence Heckscher's judgment that 'Mercantilism from one particular angle was more individualistic than laissez- faire, has considerable merit.'<sup>101</sup>

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<sup>100</sup> Wealth of Nations, P.602-3

<sup>101</sup> Op.cit., vol I, p.455

## **Conclusion:**

The study of Coromandel Coast from the later part of the seventeenth to the early eighteenth century has raised various issues of academic interests. Viewed in context of mercantilist ideas, this period can broadly be considered as a phase when the commercial enterprise, closely allied with state power and aided by legislation and military force, was changing the face of the old economy. During this period of state building and warfare among continental powers, most British policy makers shared the common mercantilist assumption of the day that the volume of international trade in both commodities and services continued to grow, but slowly, and that national success depended on the sustained use of force, backed up by a skilful deployment of diplomacy in order to make and to retain economic gains at the expense of rivals.

The present academic endeavour aims at highlighting not only what constituted the concept of mercantilism but also how it was being practiced. Problematising a theme also means providing the theme with a definition, albeit a tentative one, in order to show why a particular concept has been evolved to express the events and circumstances of a particular period. Therefore before discussing the possible variants of mercantilism in practice it was ideal to dwell upon the theoretical constructs of mercantilism. That 'theory' should play a large part in policy formation is natural for theory is only observed actuality in some spheres of logic reduced to logic. Thus theory enables us to foresee what would be the consequences of certain actions. Hence the opening chapter elaborately dealt with the theoretical aspects of mercantilism and subsequently the academic exercise was taken to the empirical level whereby the trading practices, ideas, institutions and infrastructural setup of the English East India Company, as reflected in the primary sources at our disposal, was amply deliberated upon. Without being presumptuous about the absolute existence of mercantilism, the port planning and politico-economic infrastructure at the Coromandel Coast exhibited remarkable exercise of mercantilist policies by the British East India Company. The planning of the port city, with its imposing administrative structures, the visual opulence and the strategic location

of Governor's mansion portrayed an image of dominance which played a crucial role in establishing and sustaining the commercial hegemony of the British. The idea of force, which constituted one of the fundamental precepts of mercantilism, was conspicuously evident in the defense considerations in the planning of the city of Fort Saint George. The entire city was planned and managed in a manner which may help it become a safe enclave and thereby attract the native citizens and the traders. The idea was to enhance the confidence posed in the English in India and thereby also reflect the authority of the English as a nation in India. The strategic location of the Company's port cities and the fortifications that were done were largely to oust the commercial rivals and thereby to maximize the profits. It is clear from the preceding description that the nucleus of Madras was planned by the British, and that its form was designed to meet its principal function of trade and commerce. The early plan of Madras exhibits both economic dominance of the colonists over the colonial city with the fort providing the visible center. The Company's structure was readapted and reoriented for the commercial gains and thus a complex yet strong foundation was laid. It was for the maintenance of commercial supremacy that an elaborate machinery of administration was subsequently developed, until it emerged as an imperialist stronghold. What needs to be clearly stated that trade was the main issue.

The study of English East India Company in context of mercantilism necessarily demands the study of the administrative functioning which evolved in later part of the seventeenth and the early eighteenth century. Sound management and well entrenched infrastructure were inevitable for the larger motive of furthering the trade. They can be said to be the pillars on which mercantilism stood. Though there was vast discrepancy between the desired and actual course of action. But it is undeniable that the management did stand the test of times effectively and greatly contributed to the position which the Company was to acquire in the years to come. The various strands of the Company's policy in India encompassed the powers acquired through the successive charters and the good governance of laws made for the purpose of enhancing the trade. The administration of justice in the best possible fashion was desired to make their settlement emporium of trade and to make the English nation formidable in India. The all important issue of

enhancement of revenue and the related infrastructure thereof was carefully planned and organised. Crucial was the way Company dealt with the specific locations it was placed in, adjusting and at times innovating institutional mechanisms for strengthening its tentacles. The English Company's mercantile practices and the network which it gradually developed with the native merchants were to take it a long way.

Though it has been asserted by many, that a cautious approach should be adopted while dealing with the importance of creation of European enclaves with facilities for orderly trade in the total Coromandel scene till well into the eighteenth century. However it cannot be denied that these European enclaves did provide a major boost to the trade in the area. It should also be noted that the competition provided by the settlements near Madras had serious implications on the mechanism of trade adopted by the English East India Company. The focus on effective organizational structure, the fair system of justice, resort to force and armed trading were necessary outcomes of the above.

The desire for ensuring the commercial viability of the Coromandel Coast, the East India Company went beyond its stated economic and military institutions. It also grappled with turmoils which brewed in the society where they traded. The extent to which the English intervened in the indigenous social system is evident by their involvement in the caste disputes especially during the early part of the eighteenth century. Why it can be asked that they tried to work within the system? This can be answered in various ways. One that the English were trying to penetrate the social complex to attain a peaceful environment suited to their trading interests. Two, that they were simultaneously portraying a dominant image of the Company by becoming the arbiter of the local disputes. Three, they were themselves getting entrenched in the web which they could later modify according to their own needs. That the profit from trade, which happened to be the prime concern and indispensable to their mercantilist designs, reigned supreme is obvious, as it was not possible to stay alienated in an environment which was to provide them goods and other services.

The transition of the British East India Company from a commercial body to a military power cannot have a mono-causal explanation. A welter of factors contributed the change and thus to study the transition an attempt has to be made to study the dynamics which lay behind its working and the stages which it led to. The overseas activities of the East India Company changed substantially over the course of its history. The Company did not restrict itself for long to one sphere of operation or one type of endeavor; rather the restless search for commercial advantage and profit ensured that it sought constantly to exploit new opportunities and openings. Hence, over time, trading patterns and structures changed as the Company's geographical focus of attention shifted, as new markets were entered, as new commodities were traded, and eventually and perhaps most importantly, as new possessions and territories were acquired. However another underlying trend was the extent to which the Company's domestic history was also characterized by ongoing processes of institutional adaptation, reinvention, and reorientation. This reflected the fact that, beyond its continuing core commercial and maritime activities, the Company had developed a range of measures and policies believed to be suitable for the support of a powerful military machine, the control of new peoples and territory, the administration of justice and the collection of revenue. This research is an endeavour to reveal that it was the mercantilist idea of control over foreign trade, for the gains of one's own country, which guided the events and therefore the subsequent transformations. Extensive government regulations of international trade were entailed for profit and power.

However it is a hard reality that a historian can never 'explain' history precisely or finally as a scientist can explain the working of the internal combustion engine or a thermometer. As G.M. Trevelyan once wrote: 'The causes that produce genius in the individual men, and outbursts of activity in nations, are mysteries which only become more impenetrable as one theory after another is flung out to account for that which is beyond knowledge.' But if we can never achieve final explanation in history we can, and must go on trying to enlarge and deepen our understanding of it. The study of history through the idea of mercantilism is one means of doing that. It possesses its own inner rhythms and dynamics that help us to understand the nature of change itself.



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