

The British Enlightenment and Ideas of Empire in India 1756-1773

Ahmad, Asma Sharif

The copyright of this thesis rests with the author and no quotation from it or information derived from it may be published without the prior written consent of the author

For additional information about this publication click this link.

<http://qmro.qmul.ac.uk/jspui/handle/123456789/1785>

Information about this research object was correct at the time of download; we occasionally make corrections to records, please therefore check the published record when citing. For more information contact scholarlycommunications@qmul.ac.uk

The British Enlightenment and Ideas of Empire in India 1756-1773

Asma Sharif Ahmad
Queen Mary, University of London

Thesis Submitted for the PhD Degree

2005



The British Enlightenment and Ideas of Empire in India 1756–1773

Abstract

This dissertation examines the relationship between Enlightenment political thought and the conduct of imperial affairs on the Indian subcontinent between 1756 and 1773. It is concerned with the ways in which Enlightenment ideas affected the response of politicians, thinkers, merchants and East India Company officials, to the Company's actions and conduct in Bengal. It seeks therefore to uncover the underlying political principles that informed debates regarding the future of Britain's connection with the acquired territories. At first, controversy raged between the Company and the British state over the question of property rights: in 1767 the British government tried to assert its right to the territorial revenues of Bengal that had been acquired by the Company in 1765. The government was not successful and the issue of ownership would remain unresolved in this period and beyond. However, as the Company began to appear incapable of managing and reforming its own affairs, the British government was forced to confront the question of what the best way of conducting policy in the east might be.

This thesis makes use of an array of under-utilised printed sources — pamphlets, books and tracts — as well as analysing contemporary parliamentary debate, to recover the ways in which empire was both rationalised and theorised. The first part of the dissertation lays out the narrative of events, gives a brief sketch of ideologies of empire in Britain after 1690, and reviews the historiography on the East India Company's rise to power. It then proceeds, in part two, to set out the ways in which Enlightenment conceptions of a science of politics underpinned both the condemnation of the Company's government of Bengal and plans for its reform. In the third part of the thesis, particular attention is given to the thought of Sir James Steuart who was specifically approached by the Company to provide a solution to their monetary problems in Bengal. This was a brief that he fulfilled comprehensively, making use of the concept of self-interest, and revealing the rationale that he believed should inform the Company's commercial policy towards a British dependency. Throughout this work, the political ideas examined are situated in the broader context of debate regarding sociability, international trade, the nature and obligation of governments in general, and of the British constitution in particular.

Acknowledgements

My greatest debt is to my supervisor Richard Bourke. I cannot enumerate everything he has done for me, but without his support and encouragement, I could not have reached this stage.

In addition, I have greatly benefited from advice and guidance from Huw Bowen, particularly respecting chapter 4. He has also pointed me in the direction of crucial sources. Javed Majeed has answered my many queries, listened to my ideas and read chapters along the way. I am also grateful to Jon Wilson for finding time to read my work and offering me the benefit of his advice, and to David Wootton and Peter Marshall for their guidance.

I would also like to thank Cornelia Cook for reading a complete draft of the thesis in such a short time and with such good cheer, as well as for many kindnesses over many years. Niall O'Flaherty also found time to read a portion closely for which I am especially grateful.

Thanks are due also to Markman Ellis for answering all my administrative related questions with such efficiency and to Yogish, of Queen Mary Library, for his technical assistance. I am also indebted to the AHRB for funding two years of my research.

My parents have of course supported me in every way they could. And my siblings, Adil, Sumayya and Usama, assisted me in a manner altogether their own.

Contents

<i>Acknowledgements</i>	3
<i>List of Abbreviations</i>	5
Introduction	6
Part I	
1 Britain, the East India Company and Empire	16
2 The East India Company's Rise to Power	64
Part II	
3 'A New and Monstrous Species of Despotism': Responses to the East India Company's Rule of Bengal	94
4 Supervisors, Despotic Power and Checks and Balances: Plans for the Reform of the East India Company	131
Part III	
5 Sir James Steuart (I): Bengal and the Drain of Wealth	165
6 Sir James Steuart (II): Conjectural History, Self-Interest and Reform	200
Conclusion	238
Appendix	247
Bibliography	253

Abbreviations

Add MSS	Additional Manuscripts, British Library
BL	British Library
Eg. MSS	Egerton Manuscripts, British Library
<i>FWIHC</i>	<i>Fort William-India House Correspondence and Other Contemporary Papers Relating Thereto</i> , 21 vols (New Delhi: Controller of Publications, Government of India for the National Archives of India, 1958–69)
MSS Eur.	European Manuscripts, Oriental and India Office Collections, British Library
<i>ODNB</i>	<i>Oxford Dictionary of National Biography</i> , ed. H. C. G. Matthew and Brian Harrison (Oxford: Oxford University Press, 2004) < http://www.oxforddnb.com >
OIOC	Oriental and India Office Collections
<i>RCHC</i>	<i>Reports from the Committees of the House of Commons</i> , 12 vols (1803–6)

Introduction

In August 1765, the Mughal emperor Shah Alam II conferred the grant of *diwani* of Bengal, Bihar and Orissa on the East India Company.¹ This did not mark the beginning of the Company's political power in the region, but it was a date that contemporaries came to recognise as having altered the whole tenor of Britain's presence in India. The Company's responsibilities had been transformed, in the words of the *Annual Register*, 'from the management of a counting house to the government of an empire'.² This dissertation is concerned with how that transformation was conceptualised and criticised by publicists and reformers. More precisely, it is concerned with the extent to which the wider currency of Enlightenment political ideas informed the terms in which criticism of the Company, and its relations with the British government, was deployed. To that extent, the pages that follow examine the relationship between Enlightenment political thought and the conduct of British imperial affairs in India. They explore the ways in which characteristically Enlightenment modes of argument affected the response of politicians, thinkers, merchants and East India Company officials to the Company's activities in Bengal. In the process, I try to uncover the underlying principles that informed debate surrounding Britain's responsibilities vis-à-vis the acquired territories.

The controversy that the Company's affairs at this time raised in British politics, and the steps that were taken by the government to reform them have received treatment in the respective works of Lucy Sutherland and H. V. Bowen.³ Sutherland's work focused on the relationships between groups and individuals in parliament and the Company in London, while Bowen has looked more broadly at the status of the 'Indian problem' in British political debate. Both of these works inform the present study: they provide an essential part of the broader context in which the issues I discuss are located. The specific contribution which the argument set out here

¹ *Diwani* was the Mughal branch of government concerned with the collection of taxes. It is important to note however that despite the official documentation, Orissa did not come under Company control until 1803. Throughout this dissertation Bengal will be used as shorthand for Bengal and Bihar.

² *Annual Register: or a View of the History, Politics, and Literature of the Year*, 104 vols (London, 1795–1863), no. 16 (1773), p. 66.

³ Sutherland, *The East India Company in Eighteenth-Century Politics* (Oxford: Clarendon Press, 1952); Bowen, *Revenue and Reform: the Indian Problem in British Politics 1757–1773* (Cambridge: Cambridge University Press, 1991).

aims to provide is an historical understanding of the principles in terms of which the issues fundamental to the controversy were formulated.

This work therefore builds on the existing historical literature, but it also develops an approach which has been under-employed in the historiography of eighteenth-century India. As a result, my significant points of departure from the works of Sutherland and Bowen include both the material examined and methodology employed in this study. In the first place, this thesis provides a detailed and systematic account of the most important contemporary political literature — primarily tracts, books and pamphlets — to recover reactions to the territorial acquisitions in the sub-continent.⁴ This literature includes a range of commentators from Company servants, such as William Bolts (1739–1808),⁵ to politicians, such as George Johnstone (1730–1787),⁶ and philosophers such as Sir James Steuart (1712–1780).⁷ This range of writing, though extensive in itself, was nonetheless only one forum in which debates about the empire in India took place. Yet while surveys of the arguments that were advanced in parliament and the press, as well as the diffusion of information regarding East India affairs in what has been termed

⁴ A full list of the publications broadly relating to the political reform of the Company that I have found in the British Library Oriental and India Office Collections and Eighteenth Century Collections Online can be found in the bibliography. For the purposes of comparison they are also presented in chronological order in the appendix.

⁵ He joined the Company's service in Bengal in 1760, but went on to develop his own trading activities, which brought him into conflict with other Company servants. His career will be further considered in chapters 3 and 4 below; however, for an in-depth consideration of Bolts' career see: Willem G. J. Kuiters, *The British in Bengal 1756–1773: a Society in Transition Seen Through the Biography of a Rebel William Bolts* (Paris: Les Indes Savantes, 2002).

⁶ He was Governor of West Florida (1764–67) and MP for various constituencies between the years 1768–87. Later, he was part of the conciliatory commission sent to America in 1778, and was elected to the Company's directorate in 1784–85. His varied career is explored in Robin F. A. Fabel, *Bombast and Broadides: the Lives of George Johnstone* (Alabama: University of Alabama Press, 1987).

⁷ Steuart was educated at Edinburgh University but his career differed significantly from that of the moderate literati of Edinburgh, who are the focus of Richard B. Sher's study (*Church and University in the Scottish Enlightenment: the Moderate Literati of Edinburgh* (Princeton: Princeton University Press, 1985)). By contrast to individuals like William Robertson who opposed the 1745 rebellion and was part of the College Company of Edinburgh Volunteers formed to defend the city, Steuart aided the Jacobite cause (he was sent as an ambassador to the French court in late 1745), and after its failure in 1746, had to remain in exile in Europe until 1763. During this time, he lived variously in Angoulême, Paris, Brussels, Frankfurt and Tübingen. While this experience undoubtedly influenced the development of Steuart's thought, he was significantly influenced by David Hume (1711–1776). On this see: S. R. Sen, *The Economics of Sir James Steuart* (London: London School of Economics and Political Science, 1957), pp. 45–47; Anthony Brewer, 'An Eighteenth-Century View of Economic Development: Hume and Steuart', *European Journal of the History of Economic Thought*, 4, 1 (1997), 1–22. Steuart's career is considered in: A. S. Skinner, 'Introduction', in *An Inquiry into the Principles of Political Economy by Sir James Steuart*, ed. Skinner with N. Kobayashi and H. Mizuta (London: Pickering & Chatto, 1998). On the moderate literati's response to the 1745 rebellion, see: Sher, *Church and University*, pp. 37–44.

the 'public sphere', have received comparatively detailed treatment by historians,⁸ there has been relatively little sustained or careful analysis of the arguments contained within the vast body of contemporary pamphlet literature, historical writing or contributions to political economy.

This is a highly significant gap, since it was precisely in works such as these that the plans for the reform of the Company, and the government of Bengal, were laid out at length with reference to the wider debates of the time regarding the nature and obligation of governments generally, and of the British constitution in particular. It is of course true that items in newspapers were collated and reprinted in pamphlet form,⁹ and that speeches given in the houses of parliament and in the Company's Court of Proprietors were similarly prepared for publication.¹⁰ These facts indicate that the dissemination of ideas about empire in the eighteenth century is a topic of some importance. But my specific aim in this thesis is to show how these ideas were formulated — to give an historical account of political argument about empire with reference to the wider context of the political thought in the Enlightenment.

The publication of material relating to East Indian affairs in the eighteenth century was most usually the result of specific crises. Between 1766 and the passage of Lord North's Regulating Bill of 1773, there were three key periods in which the amount of published material relating to

⁸ Sutherland, *East*; Bowen, *Revenue*; J. R. Osborn, 'India, Parliament and the Press under George III: a Study of English Attitudes Towards the East India Company and Empire in the Late Eighteenth and Early Nineteenth Centuries' (D.Phil. thesis, University of Oxford, 1999); Osborn, 'India and the East India Company in the Public Sphere of Eighteenth-Century Britain', in *The Worlds of the East India Company* ed. H. V. Bowen, M. Lincoln & N. Rigby (Suffolk: Boydell Press, 2002), pp. 201–21.

⁹ For example: Anon., *The National Mirror Being a Series of Essays on the Most Important Concerns but Particularly those of the East-India Company* (London, 1771), was originally published in the *Gazetteer* in the years 1768–69; Anon., *A Letter to the Right Honourable Lord North on the East-India Bill now Depending in Parliament* (London, 1772), was partially published in the *Public Advertiser*. The opposite was also true; sections of text were excerpted from longer publications and printed in serial publications: for example, see Osborn, 'India, Parliament', pp. 117–19.

¹⁰ For example: *Speech of Mr George Johnstone in the General Court of Proprietors of East-India Stock upon the Subject of the Restitution for Private Losses, in the War against Cossim Ali Cawn* (Edinburgh, 1768); *Lord Clive's Speech in the House of Commons, on the Motion Made for an Inquiry into the Nature, State, and Condition, of the East India Company, and the British Affairs in the East Indies, in the Fifth Session of the Present Parliament* (London, 1772). In addition official documentation of the Company, such as letters and reports from servants in India were collated and presented to the public, for example: *Authentic Papers Concerning India Affairs which have been under the Inspection of a Great Assembly* (London, 1771), BL, OIOC Tract vol. 202; Bengal Governor and Council, *Extract of a Letter from the Governor and council at Fort William to the Court of Directors dated 3rd November 1772 Transmitting a Letter from the Committee of Circuit, at Cossimbuzar, and a Plan, framed by that Committee, for the Administration of Justice in Bengal* [London(?), 1772(?)].

the East India Company increased. These were 1767, 1769 and 1772–3. In the first period, debate was provoked by the Earl of Chatham's attempt to assert the crown's right to the territorial revenue of Bengal and his legislation restricting the level of the Company's dividend. In the second period, controversy was aroused by the Company's directors' decision to send supervisors to India in response to the military defeats suffered by the Company, and the servants' insubordination on the sub-continent. In the third period, attention was focused by the Company's financial difficulties and continued news of the servants' mismanagement of Bengal.¹¹

The contemporary literature is therefore principally engaged with a specific set of problems, such as the right of the government to regulate the Company's dividend, and the advantages and disadvantages of a supervisory commission; but the particular occasion also provided the authors with the opportunity to advance a more general argument about the conduct of imperial affairs on the sub-continent. This was especially true of items published after 1769 when the future mode of government for Bengal became the contested issue. Here a formulation of the broad political principles that should regulate Britain's connection with the territories could not be avoided. However it was the pamphlet form that allowed individuals of diverse backgrounds to set out their arguments with a degree of systematisation and length that was not obtainable in other forums, namely parliamentary speeches, debates in the Court of Proprietors and newspaper articles.¹²

This detail enables the historian to recover not merely the outlines of the debate concerning the Company and its reform, but also to retrieve the basic principles which informed that debate and consequently the fundamental organising premises in terms of which the politics of empire was theorised with reference to late-eighteenth century Britain and its possessions in the east. I want to stress, however, that in retrieving the ideas contained within the body of literature with which I will principally be concerned, it is not my intention to invest them with trans-historical

¹¹ See the appendix.

¹² On the particular value of pamphlet literature as historical evidence in intellectual history and the history of political thought, see the arguments developed, in a different context, by Bernard Bailyn in *The Ideological Origins of the American Revolution* (London: Belknap, 1967; repr. 1992), pp. 1–28.

meaning, or to ascribe to them a belated coherence that they did not at the time possess. In other words, I do not aim to excerpt arguments from their specific context and present them as a disembodied ideology of empire for this period. Rather, arguments are placed squarely in the historical context of thought and action which generated them.¹³

Sir Lewis Namier is well known for having argued that abstract ideals did not underpin the actions of politicians, and therefore cannot provide an explanation for their behaviour.¹⁴ This understanding pervades Sutherland's work who in turn, as P. J. Marshall argues, presents a 'vision of a British leadership so preoccupied with immediate problems of political survival or short-term advantage, that it stumbled into crises, for which it had to evolve solutions in a haphazard and confused way'.¹⁵ I do not deny that considerations of immediate interest impinged upon the motives of the actors that will figure here, but their actions cannot be wholly explained in these terms. Motivating interests are themselves dependent on an antecedent interpretation of what an agent's immediate interest might be. Equally, in a society in which political action will require a parliamentary defence, the public interest is bound to be cast in a recognisable idiom. As Quentin Skinner has argued, individuals seek to legitimise the motives of their actions 'by some accepted principle', and even if their motives do not in actuality correspond to their professed ideals, people will still feel obliged to act in ways consistent with them.¹⁶ That is, individuals are constrained by the range of terms (the 'prevailing morality of their society') available to them and therefore, as Skinner concludes, to study 'the principles' that individuals invoke in defence of their actions will always be to study 'one of the key determinants of their behaviour'.¹⁷ British politicians may have been concerned with political gain, but they held a core set of ideas about what legitimate gain might be. Implicated in those ideas were an array of values connected to property, liberty and the British constitution which they felt were at stake during debates on Indian affairs.

¹³ Quentin Skinner, *Visions of Politics*, vol. 1, *Regarding Method* (Cambridge: Cambridge University Press, 2002), ch. 4, see also, pp. 116–17.

¹⁴ *Ibid.*, p. 145; L. B. Namier, *The Structure of Politics at the Accession of George III*, 2nd edn (London: Macmillan, 1957), p. x.

¹⁵ P. J. Marshall, 'Empire and Authority in the Later Eighteenth Century', *Journal of Imperial and Commonwealth History*, 15 (1987), 105–17 (p. 105).

¹⁶ Skinner, *Visions*, pp. 155–56.

¹⁷ *Ibid.*, p.156.

The importance of political thought has, of course, not gone completely unrecognised in the historical literature on eighteenth century India. Marshall has pointed to the importance of contemporary beliefs regarding politics and society in determining the ways that politicians responded to imperial problems.¹⁸ In various articles, he has charted the shift in British perceptions of their empire, and consequently alterations in beliefs about the organising principles of the British Empire.¹⁹ More recently, Marshall has analysed the concurrent failure of empire in North America and its success in India, thereby rejecting the argument that Vincent T. Harlow put forward of a first and second empire.²⁰ In his *Making and Unmaking of Empires*, Marshall gives special attention to the assumptions held by Britain's elite leadership — MPs, for instance, that made imperial affairs a matter of their concern — in order to uncover the ideas which underpinned British imperial policy.²¹ Bowen has also given some consideration to British conceptions of empire²² and, in addition, political ideas in relation to India in the eighteenth century have also received treatment by Thomas R. Metcalf.²³ My work is a contribution to this strain of historical writing about the sub-continent, but I focus on a narrower period than has been usual, albeit one that was of crucial importance for the development of ideas regarding empire in India. This focus enables me to give more space and consideration to the arguments of individual works which, in some instances, have been known to historians but which have nonetheless not been given the careful analytical scrutiny which they deserve.

In addition, as I have already indicated, my work adds to the current understanding of eighteenth-century ideologies of empire in India by relating those ideologies to the broader context of the Enlightenment. It is, I argue, only in this context that the implications of the arguments that were advanced at the time can be properly understood. For this reason, in the title of this thesis, I refer to the British 'Enlightenment'. The point is not that it was British, but

¹⁸ Marshall, 'Empire and Authority', pp. 105–06.

¹⁹ See: Marshall, "'A Free Though Conquering People": Britain and Asia in the Eighteenth Century', Inaugural Lecture in the Rhodes Chair of Imperial History, King's College, London (1981), repr. in *'A Free Though Conquering People': Eighteenth-Century Britain and its Empire*, ed. Marshall (Aldershot: Ashgate Publishing, 2003), pp. 1–19.

²⁰ Marshall, *The Making and Unmaking of Empires: Britain, India and America c.1750–1783* (Oxford: Oxford University Press, 2005); Harlow, *The Founding of the Second British Empire 1763–1793*, 2 vols (London: Longmans, 1952–64).

²¹ Marshall, *Making and Unmaking*, p. 9.

²² Bowen, 'British Conceptions of Global Empire 1756–83', *Journal of Imperial and Commonwealth History*, 26 (1998), 1–27.

²³ *Ideologies of the Raj* (Cambridge: Cambridge University Press, 1994), ch. 1.

that the arguments were of the Enlightenment. However, it is nonetheless the case that the issues under consideration here involved the British Empire; the individuals involved have been drawn from the British Isles and they believed that they were dealing with a British problem, rather than a French, Scottish, Irish or English one.

What the term 'Enlightenment' itself means is of course a matter of great contention. Sankar Muthu, following J. G. A. Pocock and others, has recently argued that 'we should diversify our understanding of Enlightenment thought' — that we should refer to 'Enlightenments' rather than 'the Enlightenment' or an 'Enlightenment Project'. He has used the term as a 'temporal adjective' to refer to the long eighteenth century. The anti-imperialist writings that he studies, by this definition, are simply a strain of eighteenth-century thought — they constitute one discourse amongst many other contrary ones in circulation at the time. He suggests that any attempt to define a notion of 'the Enlightenment' is fraught with the danger of masking the variety of intellectual endeavours of the period.²⁴ In an altogether different manner, the essays collated in *The Enlightenment in National Context*²⁵ also present cogent arguments against generalising about the beliefs and aims of *philosophes*. The authors here point to the influence of local realities and history on the development of ideas. However, while accepting that there was a diversity of modes of Enlightenment argument, the term 'Enlightenment' nonetheless requires, as C. J. Berry has argued, some minimum definition, a 'core', if it is to serve any purpose at all.²⁶

Berry points out that intellectuals from all parts of Europe did see themselves as part of a republic of letters and regarded their work as dispelling 'ignorance, prejudice and superstition'. J. D'Alembert identified four thinkers, whom he believed had been instrumental in enabling eighteenth-century advances in knowledge. These were Francis Bacon, Descartes, Newton and Locke. What these writers specifically provided were new methods of organisation and investigation to the fields of physical and moral sciences.²⁷ The utilisation of the new techniques by Montesquieu and Adam Smith led John Millar to declare the former 'the Bacon' and latter

²⁴ Sankar Muthu, *Enlightenment Against Empire* (Princeton: Princeton University Press, 2003), pp. 1–2, 264–66.

²⁵ ed. Roy Porter et. al. (Cambridge: Cambridge University Press, 1981).

²⁶ C. J. Berry, *Social Theory of the Scottish Enlightenment* (Edinburgh: Edinburgh University Press, 1997; repr. 2001), p.1.

²⁷ *Ibid.*, pp. 2–4.

'the Newton' of their fields.²⁸ In this thesis, the core of Enlightenment political thought is understood as the ambition to apply scientific method to moral philosophy, politics and political economy. That is, it is understood as the belief that laws regarding (for example) human nature and governments could be deduced by reasoning consequentially. As David Hume argued: 'so great is the force of laws, and of particular forms of government, and so little dependence have they on the humours and tempers of men, that consequences almost as general and certain may sometimes be deduced from them, as any which the mathematical sciences afford us'.²⁹

In defining the Enlightenment in this manner, I am obviously not suggesting for a moment that the body of literature that it gave rise to, such as the works of Montesquieu, Smith, Ferguson and Jean-Jacques Rousseau, were in complete agreement with one another. Clearly they were not. Yet without some functioning definition of 'Enlightenment' the term cannot, logically, be pluralized. My dissertation shows how the idea of reducing politics to a science — the desire to understand the 'system' of modern politics — was an integral feature of the debates surrounding the competing entitlements and obligations of the British Parliament and the East India Company between 1756 and 1773. It goes on to demonstrate how the commercial relations between Britain and India were also theorised with reference to systems of political economy. It aims to fill a gap in contemporary scholarship regarding our understanding of the whole range of ideas of empire in India that were contested at this time.

Work has been done on the impact of European assumptions on the development of British modes of government in India; Ranajit Guha has shown the mercantilist and physiocratic influences that shaped debate in the years leading up to the Permanent Settlement of Bengal (1793).³⁰ More recently, and more intricately, Robert Travers has demonstrated how the land tax, under British rule, was 'shaped both by the complex negotiations of the state and society within Bengal, and by international flows of political meanings and concepts, capital and

²⁸ John Millar quoted in J. G. A. Pocock, *Barbarism and Religion*, vol. II, *Narratives of Civil Government* (Cambridge: Cambridge University Press, 1999), p. 159.

²⁹ David Hume, 'That Politics may be Reduced to a Science', in *Essays Moral, Political and Literary*, rev. edn, ed. Eugene F. Miller (Indianapolis: Liberty, 1987), p. 16.

³⁰ *A Rule of Property for Bengal: an Essay on the Idea of the Permanent Settlement* (Paris: Mouton, 1963).

credit'.³¹ The present study differs from work such as Travers' in that it is more immediately concerned with debates about empire in India that took place in Britain — and their relation with the Enlightenment — rather than an analysis of the processes by which British rule of Bengal came to be implemented by British officials abroad. While a specifically British set of imperial ideologies has been investigated by David Armitage,³² his work does not extend into this period nor consider the empire in India. This thesis will examine the ideology of the British Empire in relation to the sub-continent, and demonstrate the shift in perceptions that took place as the eighteenth century advanced.

The greater part of this dissertation is concerned with *reactions* in London to events that took place largely between 1756 and 1765 in India. Consequently, a narrative of events is given for convenience in chapter 1, before it proceeds to analyse British conceptions of empire in India from the 1690s onwards. Chapter 2 considers the historiographical debate surrounding the Company's rise to power. Here it is emphasised that the Company's perception of what was necessary for the security of its trade, played an integral role in the acquisition of empire in India. Chapter 3 considers British responses to the Company's government of Bengal, which was commonly regarded as despotic. In this section, contemporary understandings of despotism are explored and the implications of 'mercantile despotism' are drawn out. Chapter 4 elucidates the principles behind the arguments that were put forward for the reform of the Company's affairs, and demonstrates their connections with Enlightenment political thought. The actual plans for reform that were developed at this time are also considered.

Chapter 5 turns to the Company's commercial affairs in Bengal. Given that the prime importance of the acquisitions resided in the material benefit Britain could derive from her, Bengal's economic health was of paramount importance. This chapter considers contemporary views regarding the reasons behind the 'drain of wealth', and James Steuart's solutions for it. It situates his proposals among rival positions in political economy. Chapter 6 studies two concepts that were central to Steuart's theories: conjectural history and self-interest. His understanding of

³¹ Travers, "The Real Value of the lands": the Nawabs, the British and the Land Tax in Eighteenth-Century Bengal', *Modern Asian Studies*, 38, 3 (2004), 517–58 (p. 558).

³² *The Ideological Origins of the British Empire* (Cambridge: Cambridge University Press, 2000).

the dynamics of human progress and sociability, which had its precursors in the thought of Bernard Mandeville and others, are expounded not only to make apparent the full shape of Steuart's proposals for Bengal, but also to shed additional light on the arguments advanced by authors in chapter 4.

Chapter 1

Britain, the East India Company and Empire

In the year 1600, Queen Elizabeth I conferred the first charter on 'The Governor and Company of Merchants of London Trading into the East Indies'. A subsequent version of this organisation, known as the East India Company, would grow to become the rulers of Bengal. This chapter is concerned with the ideology of empire in India between 1690 and the early 1770s; it explores the foundations on which territorial responsibility in India came to be accepted. This chapter begins by providing a narrative of events in India between 1756 and 1765 — the period in which the Company's traditional relationship with the nawabs of Bengal broke down, and the Company became *de facto* ruler of the area. It goes on to demonstrate the impact these events had on Company politics in London. It is of course true that any narrative, by the very information that it includes and omits, offers an interpretation of events that is open to contestation. The narrative set out here serves to illustrate the extent of the Company's transformation as well as to provide the necessary context for the succeeding pages; chapter two will take into account the historiographical debate.

This chapter will then turn to consider the rationale of Britain's global presence. The ideological origins of the British Empire have been studied by Armitage who demonstrates that Britons came to regard their empire as Protestant, free, maritime and commercial.¹ This chapter will explore how this conception was shaped by the history of Rome (as narrated, for instance, by Sallust), the thought of Machiavelli, and the acceptance of commerce as a reason of state. It will then turn to consider the ideas formulated by Charles Davenant (1656–1714) at the end of the seventeenth century, who made explicit connections between commercial (rather than territorial) supremacy and the security of England.² His argument regarding the East India trade was countered by John Pollexfen (1636–1715),³ who will also be considered here, but Davenant's

¹ Armitage, *Ideological Origins*, p. 173.

² Davenant, *An Essay on the East-India Trade by the Author of the Essay Upon Wayes and Means* (London 1696), BL, OIOC Tract Vol. 83.

³ *England and East-India Inconsistent in their Manufactures: Being an Answer to the Treatise Intituled "an Essay on the East-India Trade" by the Author of the Essay of Wayes and Means* (London, 1697), BL, OIOC Tract vol. 83.

thought, as will be demonstrated, continued to have resonance throughout the eighteenth century. Attention will then turn (in section three) to the Walpolean era and the debates regarding Britain's foreign policy; here it will be shown that a successful foreign policy was measured in terms of the impact it had on the country's international commerce, which in turn was regarded as the basis of a state's power.⁴

After the fall of Walpole, British attention was focused more specifically on India, when the East India Company came into conflict with the French on the sub-continent. Section Four of this chapter will analyse the impact British perceptions of French ambitions had upon arguments regarding the conduct of commerce on the sub-continent. Many publicists presented increased French involvement in Indian politics as not only detrimental to British commercial interests but also to Britain's very security.⁵ The victory of Britain in the Seven Years War temporarily soothed British fears of French ambitions but, as in the 1730s and 40s, the level of the national debt remained a matter of concern for politicians and thinkers. This chapter will proceed to investigate (in section five) the connections that existed between national security, commerce and public credit, as demonstrated by David Hume,⁶ before finally turning to the legacy of 1765 (in section six).

The nature of the British Empire was undoubtedly altered after the Peace of Paris and acquisition of *diwani*, but the objectives of the Company (and Britain) in India, I will argue, had not shifted. The Company's aim remained that of profitable commerce; what did change was the degree of protection that the Company could demand for its trade. In the 1690s, the servants were adamant that they could not trade without forts; by 1765, a wholly new generation of

⁴ [Daniel Defoe], *The Advantages of Peace and Commerce with Some Remarks on the East-India Trade* (London, 1729); Charles Forman, *Some Queries and Observations Upon the Revolution in 1688 and its Consequences: Also a Short View of the Rise and Progress of the Dutch East India Company; with Critical Remarks in a Letter from Paris to Rt. Hon. Sir Robert Walpole* (London, 1741), BL, OIOC Tract vol. 487.

⁵ Anon., *A Letter to a Proprietor of the East-India Company* (London, 1750), BL, OIOC Tract vol. 83; Anon., *Some Material and Very Important Remarks Concerning the Present Situation of Affairs Between Great Britain, France and Spain in Regard to their East and West India Settlements etc.* (London, 1755), BL, OIOC Tract vol. 487; Anon., *Reflection on the Present State of our East-India Affairs with Many Interesting Anecdotes Never Before Made Public* (London, 1764).

⁶ Hume, 'Of Public Credit', in *Essays*.

servants was equally convinced that Company trade required political power.⁷ This is not to imply that opposing views were not also expressed by some commentators — counter arguments were put forward in both periods — but it is nonetheless true that the necessity of forts, and then that of political control, were the views that came to prevail. The change in the realities on the ground, which made this alteration possible, will be the subject of the following chapter, my purpose here is to show how assumptions regarding commerce and national security, and perceptions of French global ambitions — the feeling that Britain had to stay one step ahead of France — all meant that in 1773, Britain's leaders accepted that there was no turning back from territorial empire in the east. This is not to suggest that British or Company officials came to advocate a policy of imperial expansion — they did not: Company directors, after 1765, repeatedly stated that they did not want any further extension of responsibility on the sub-continent.⁸ But Britain's leaders did come to perceive the territories that had been acquired as being indispensable for Britain's security.

I.

It was a *version* of the original Company that grew to become the ruler of Bengal, because the initial organisation did not enjoy a history of unbroken continuity. At various points in its history, the Company found its position undermined by other sets of merchants and by the governments of the day. In the late 1630s and 1640s groups of merchants were given permission to sail to the Indian Ocean, and the Assada Company was formed with the aim of establishing a settlement on an island off Madagascar. During the Civil War and Interregnum, the Company's privileges were severely undermined as private merchants were given competing rights. Its status was however re-established by 1657 when a new permanent joint-stock was created and monopoly privileges to trade to Asia granted. By the end of the century, the Company again found itself in a precarious position: its monopoly status became the focus of increasing criticism because of the disastrous campaigns fought in India under the leadership of Josiah Child, and the

⁷ For a justification of the Company's policies from late seventeenth century to the acquisition of *diwani*, see: Anon., *The Conduct of the East-India Company* (London, 1774), BL, OIOC Tract vol. 50.

⁸ Marshall, *Making and Unmaking*, p. 227. Clive also argued that 'my hopes will always be, to confine our assistance, our conquests, and our possessions, to Bengal, Bahar and Orixia. To go further, is in my opinion, a scheme so extravagantly ambitious and absurd, that no Governor and Council in their senses can ever adopt it' ('Clive to Directors' (30 Sept 1765), in *FWIHC*, IV, p. 333).

latter's close links to James II. In the post Glorious Revolution era, such links were politically damaging and although the Company managed to obtain a renewal of its charter in 1693, in 1698 a New East India Company was formed with the intention of replacing the existing one. In the event, however, both the old and the new Companies were successfully merged in 1709 to form the United East India Company.⁹ The Company's monopoly was not to be threatened again until 1813.¹⁰

The British presence in Bengal dated back to the 1650s, but it was in the closing decades of that century that the Company established itself in Calcutta, with the building of Fort William being completed in 1716.¹¹ Through the course of the eighteenth century, the volume of British exports from Bengal (predominately in textiles) increased, and the settlement in Calcutta grew dramatically.¹² The Company sought to gain advantages over its European rivals by obtaining custom concessions from the Mughal Emperor. In 1717 it gained a *farman* (imperial grant) from the Emperor Farrukhsiyar which gave it impressive benefits: the Company was exempted from paying custom duties throughout his territories in return for annual payments at Surat and Bengal of Rs. 10,000 and Rs. 3000 respectively; *dastaks*, or certificates, issued by the Company theoretically enabled its goods to pass through the territory custom free.¹³ In practice, however, the *farman* required the cooperation of local rulers in order for its benefits to be realised. Between 1727 and 1749, the British had to make additional payments to the nawabs of Bengal, in order to enjoy trade free from interference.¹⁴

⁹ Marshall, 'The English in Asia to 1700', in *The Oxford History of the British Empire*, vol. I, *The Origins of Empire*, ed. Nicholas Canny (Oxford: Oxford University Press, 1998), pp. 266, 276–77, 282–83.

¹⁰ Om Prakash, 'The English East India Company and India', in *The Worlds of the East India Company*, ed. H. V. Bowen, M. Lincoln & N. Rigby (Suffolk: Boydell Press, 2002), p. 2.

¹¹ Marshall, 'English in Asia', p. 279; J. H. Parry, *Trade and Dominion: the European Overseas Empires in the Eighteenth Century* (1971; London: Phoenix, 2000), p. 70.

¹² For an estimation of the number of people that settled in Calcutta, see the figures cited in Marshall, *East Indian Fortunes: the British in Bengal in the Eighteenth Century* (Oxford: Clarendon, 1976), p. 24.

¹³ K. N. Chaudhuri, *The Trading World of Asia and the English East India Company* (Cambridge: Cambridge University Press, 1978), p. 124.

¹⁴ Marshall, *East Indian Fortunes*, p. 7.

Bengal had become a province (*suba*) of the Mughal Empire in the late sixteenth century,¹⁵ but by the time that the Company had obtained its 1717 *farman*, Bengal was emerging as a virtually independent state.¹⁶ Traditionally, provinces of the Mughal Empire had been governed by the *subahdar* ('responsible for the *nizamat*, the maintenance of law and order, the command of the armed forces, and the administration of criminal justice') and the *diwan* ('controlled finance and taxation and administered civil justice'). However in 1717 Murshid Quli Khan, who had been appointed *diwan* by the emperor in 1700, combined the latter office with that of *subahdar* and became, to all intents and purposes, the first nawab (ruler) of Bengal.¹⁷ Upon his death he was succeeded by members of his family, but each succession was preceded by armed contests. In 1740, the throne was taken by force by the nawab's deputy in Bihar, Alivardi Khan (who was unrelated to Murshid Quli Khan's family); he was succeeded in 1756 by his grandson Siraj ud-Daula.¹⁸

The new nawab, as was consistent with past practise, demanded money from the European Companies in return for recognising their privileges. The Dutch and the French ceded to the demands but the delay of the British Company led to Siraj ud-Daula attacking and driving the British out of Calcutta.¹⁹ In response, the Company dispatched troops from Madras under the command of Robert Clive (1725–1774) who recovered the town and came to an advantageous agreement with the nawab in February 1757.²⁰ This proved to be only a fleeting interlude as the British went on to attack the French settlement at Chandernagore; in its aftermath, relations between the nawab and the British broke down. Each side began to view the other with increasing mistrust. In addition, the nawab had also alienated factions within Bengal, who began to conspire against him. These factions offered the Company greater privileges in return for their

¹⁵ John F. Richards, *The Mughal Empire* (Cambridge: Cambridge University Press, 1993; repr. 2001), pp. 33–34.

¹⁶ Bihar became a permanent part of Bengal in 1733 (Marshall, *East Indian Fortunes*, p. 5).

¹⁷ Marshall, *East Indian Fortunes*, p. 6.

¹⁸ Marshall, *Bengal: the British Bridgehead* (Cambridge: Cambridge University Press, 1987), pp. 49, 74.

¹⁹ *Ibid.*, p. 76.

²⁰ See: Brijen K. Gupta, *Sirajuddaulah and the East India Company 1756–57: Background to the Foundation of British Power in India* (Leiden: Brill, 1962), pp. 100–01.

assistance to depose the nawab, and replace him with Mir Jafar. The old nawab was successfully deposed by the Battle of Plassey in June 1757, and killed.²¹

This was the 'revolution' that contemporaries spoke about, and it was a revolution in more far reaching ways than simply the replacement of one ruler with another; as the events that followed would show, it was now inconceivable that the nawabs would act against the wishes of the British — the nawabs now owed their existence to the British Company. Between 1757 and 1765 there would be a quick succession of rulers: Mir Jafar was deposed in favour of Mir Kasim in 1760; he in turn was ousted in 1763 and replaced by the former nawab. Mir Kasim did not, however, quietly recede into the background but gathered the support of the Wazir of Oudh and the Emperor Shah Alam, and returned to regain the throne. The British successfully defeated them at the Battle of Buxar in 1764, which resulted in the 1765 Treaty of Allahabad. By this treaty, the Wazir of Oudh was restored to his territories and became an ally of the Company; the Emperor was installed in the provinces of Cora and Allahabad; the British agreed to pay the Emperor an annual tribute, and were made the *diwan* of Bengal, Bihar and Orissa.²² It is important to note however, that despite the official documentation, in practice, Orissa did not come under British control until 1803, when it was taken from the Marathas.²³

In theory, as the *diwan*, the Company became responsible for the civil administration of Bengal and Bihar, while the nawab retained the functions of the *nizamat*. In practice the division of authority was not so neat. The nawab had no authority independent of the Company and the duties of the *nizamat* were exercised by a deputy (*naib*) appointed by the servants.²⁴ In addition, the servants did not take over the administrative task of managing the revenue collections themselves but left it in the hands of Indian officials. Much official responsibility came to rest upon Muhammad Reza Khan, who was referred to by the Company as 'prime minister'.²⁵

Clive's purpose in establishing this dual system was partly practical — the servants did not have

²¹ Ibid., p. 121.

²² Rajat Kanta Ray, 'Indian Society and the Establishment of British Supremacy, 1765–1818', in *The Oxford History of the British Empire*, vol. II, *The Eighteenth Century*, ed. P. J. Marshall (Oxford: Oxford University Press, 2001), p. 511.

²³ Marshall, *Bengal*, p. 93.

²⁴ Ibid., pp. 93–94; Prakash, 'English', p. 8.

²⁵ Abdul Majed Khan, *The Transition in Bengal, 1756-1775: a Study of Saiyid Muhammad Reza Khan* (Cambridge: Cambridge University Press, 1969), p. 103.

the immediate resources or expertise to act as *diwan*. It was also partly strategic: Clive realised that the Company's position would only acquire legitimacy on the sub-continent if it maintained Mughal forms of government.²⁶ The latter would continue to influence the development of the Company's government of Bengal, but by 1772, the servants would feel confident enough to take open control of the revenue administration.²⁷

This development of the Company's position in India shows that 1765 did not mark the beginning of the Company's political power on the sub-continent. It was a process that began well before and would continue well after this date. However the formal grant of *diwani* in this year and the events that followed in Bengal — specifically the abuse of the recently acquired political power by the servants, the 1769-70 famine and the reforms that the Company implemented — would give rise to major controversies in Britain. The immediate news of the acquisitions in London resulted in heavy speculation in Company stock, in the expectation of significant gains; these were initially realised: Company stock rose, and in September 1766 the dividend was set at a new high of 10 percent.²⁸ The increased speculation was also due to the factionalism which characterised Company politics in London at this time — specifically the contest between Clive and Laurence Sullivan,²⁹ for dominance within the Company throughout the 1760s. This rivalry had led to the Company's Court of Proprietors taking a more dominant part in Company affairs, and in the election of the Company's directors.

The Court of Proprietors, or the General Court, was the 'ultimate sovereign body within the Company'. It elected the directors, scrutinised policies developed by them, came to decisions on

²⁶ *Ibid.*, pp. 104–05. For Clive's defence of the dual system, see: OIOC, MSS Eur. E12, pp. 76–80.

²⁷ The Company's take over of the responsibility for collecting the revenues was a gradual process. Francis Sykes (*bap.* 1732, *d.* 1804) was appointed in August 1765, to oversee Reza Khan; Sykes' post was known as the Resident at the *darbar* (nawab's court), which was located in Murshidabad. He was replaced, upon his resignation in January 1769, by Richard Becher. Later that year, supervisors were appointed to oversee the collection of revenue in the various districts, but late in 1770, they became directly responsible for its administration. Under Warren Hastings the supervisors became known as 'collectors'. See: Khan, *Transition*, pp. 169, 200–01, 264; Marshall, *Bengal*, pp. 116–19.

²⁸ Philip Lawson, 'Parliament and the First East India Inquiry', *Parliamentary History: a Yearbook*, 1 (1982), 99–114 (p. 100).

²⁹ (1713–1786), director of the Company at various times between 1755–1786; MP for Taunton (1762–68) and Ashburton (1768–74), see: James Gordon Parker, 'The Directors of the East India Company 1754–1790', (Ph.D thesis, University of Edinburgh, 1977), pp. 270–73.

Company policy and it could reverse decisions made by the directors.³⁰ It also played a significant role in the formation of government policy towards Indian affairs during the period covered by this dissertation. As Bowen describes the arrangements, legislative proposals relating to the Company were most usually drafted by the directors and then given to the General Court for examination. Upon their agreement the proposals were submitted to the government. This led the earl of Chatham to designate the body as 'little parliaments'; the remark was accurate to the extent that the General Court was a forum in which government legislation pertaining to the Company was debated.³¹ Proprietors who held £500 worth of East India stock were eligible to vote in the annual elections of the Company's twenty-four directors, which took place in April every year. The directors were the executive component of the Company and in order to conduct their business, organised themselves into ten committees. Each director served on a number (between two and five) of the committees, while the chairman (elected by the directors) and deputy (chosen by the chairman) presided over all the committees.³² The General Court could be convened by the directors or on the demand of nine proprietors.³³

The relationship between the directors and the proprietors, until the 1760s, had not been characterised by disagreement and conflict; this changed however in the years following the victory at Plassey with the frequency of the General Court's assembly increasing quite dramatically. On average, in the 1740s the General Court met approximately five times a year, but in the 1760s, this figure rose to 13 and between 1770 and 1773, it rose to 22.³⁴ The increased number of meetings of the Court of Proprietors reflects, firstly, the greater involvement of this body in the formulation of Company policy and, secondly, the growth in the degree of factionalism that existed within it. In addition, the annual elections of the directors also came to

³⁰ Bowen, *Revenue*, p. 40; Parker, 'Directors', p. 350.

³¹ Bowen, *Revenue*, pp. 38–39 (citation p. 39). In addition, many of the prominent individuals who participated in the debates in the Court of Proprietors (between 1766 and 1773) were also MPs that took an active part during the debates on East Indian affairs. Foremost amongst such individuals (in terms of the number of times they were known to have spoken in both forums) were George Dempster and George Johnstone (Bowen, *Revenue*, pp. 33, 42–43). See also: Bowen, "'Dipped in the Traffic": East India Stockholders in the House of Commons 1768–1774', *Parliamentary History*, 5 (1986), 39–53.

³² Bowen, *Revenue*, pp. 34–35.

³³ The proprietors' ability to call a General Court meeting enabled them to keep the directors in check, see: Bowen, 'The "Little Parliament": the General Court of the East India Company 1750–1784', *Historical Journal*, 34, 4 (1991), 857–72 (pp. 859, 859n15).

³⁴ Bowen, *Revenue*, p. 41; the precise figures that Bowen calculates for the 1740s is 5.4, and 13.3 for the 1760s.

be fiercely contested in the 1760s. By this time, it had become common practise for the directors, prior to the elections, to issue a 'house list' of candidates of whom they approved; this was normally accepted by the proprietors. In 1758, Sullivan produced a rival list of candidates leading to an election battle between the factions.³⁵ The reason for this rival list was Sullivan and his supporters' disagreement over the decision taken by the majority of the directors regarding the succession of governor in Bengal, after Fort-William was re-established following Siraj ud-Daula's attack. Sullivan's dissent with the decision the majority of the directors had taken led him to cultivate the support of the proprietors and use the General Court in order to reverse their resolution.³⁶

Appeals to the Court of Proprietors were not a common occurrence, but the body was well within its rights to overturn policies developed by the directors; however, the tactic did not achieve Sullivan's aims, which was why his supporters resorted to issuing a rival list for the directorship elections of 1758 — in which Sullivan was ultimately elected as chairman. The strategies that were used in this period would be exploited in the decade that followed, as the factions of Clive and Sullivan fought for supremacy. The great personal animosity between the two had its roots in a disagreement regarding the transmission of the servants' private fortunes (made in India) back to England.³⁷ The quarrel grew to embrace the desire on either side of excluding the other from exerting any influence over the Company. In 1758, Sullivan's supporters had made use of the strategy of stock-splitting; this was the practice of dividing large holdings of stock into £500 units and distributing them amongst friends and supporters in order to qualify them to vote in the directorship elections. Following the contest, the stocks were returned to their original owners, but the practice obviously increased the number of voters participating in the elections. Clearly, by this strategy, the side that could divide the greatest amount of stock increased their chances of electing their chosen candidates.

³⁵ Parker, 'Directors', p. 335. The last contested election, previous to 1758, had been in 1735 (Bowen, *Revenue*, p. 45).

³⁶ Sutherland, *East*, pp. 66–70.

³⁷ See: Bruce Lenman and Philip Lawson, 'Robert Clive, the "Black Jagir", and British Politics', *Historical Journal*, 26, 4 (1983), 801–29 (pp. 811–12).

The practices which developed or became common after 1758, namely contested elections, stock-splitting and the increased debates in the Court of Proprietors, had repercussions for the development of policies by the directors. Prior to that date, it was not uncommon for directors to serve for long periods, enabling some sort of continuity in the Company's organisation in London. After this year, long serving directors became rare; in addition, the directors increasingly felt obliged to further the interests of the groups that had enabled their election.³⁸ Throughout the 1760s the General Court was used by factions to advance their private interests. For example, Clive and his supporters used their influence in the General Court to ensure the continuation of Clive's *jaghire*. This was a 'gift' that Clive had received from Mir Jafar, which assigned to him a portion of the revenues of Bengal. Another example, which occurred after the receipt of *diwani* in 1765, was the way speculators in Company stock worked together in the General Court to force the directors to raise the Company's dividend.³⁹ As Sutherland points out, these developments demonstrated the ways in which organised speculators could wield political clout; in addition, she also stresses how the major parties of Clive and Sullivan could make use of the proprietors for their own ends, namely by promising them 'short-term financial advantages'.⁴⁰ By the 1770s commentators, including Clive and Sullivan, recognised that the Company's organisation in London was not equal to its responsibilities: Sullivan condemned the influence of the General Court on the directors, while Clive pointed to the transient tenure of the directorships.⁴¹ Government legislation in 1767 attempted to address the problems that these developments gave rise to,⁴² but ultimately the administration at this time was more concerned with obtaining a share of the Company's new source of wealth.

³⁸ Bowen, *Revenue*, p. 34.

³⁹ See Sutherland, *East*, pp. 141–46. See also Bowen, 'Investment and Empire in the Later Eighteenth Century: East India Stockholding', *Economic History Review*, New Series, 42, 2 (1989), 186–206 (p. 192).

⁴⁰ Sutherland, *East*, p. 146.

⁴¹ Bowen, *Revenue*, p. 46. See also: 'Clive to Verelst' (7 Nov 1767), OIOC, MSS Eur. F218/90, fols 31^v–32^r. In addition, see: '[Warren Hastings (?)] to the Court of Directors' (11 Nov 1773), BL, Add. MSS 38398, fols 90^v–91^r, where it was argued that the Company's constitution was 'nowhere to be traced but in ancient charters which were framed for the jurisdiction of your trading settlements — the state of your Exports and the provision of your annual Investment [...] observe how incompetent these must prove for the Government of a Great Kingdom'.

⁴² 7 Geo. III, c. 48; 7 Geo. III, c. 49; 8 Geo. III, c. 11. The provisions of these acts are considered below in chapter 4.

In the aftermath of the Seven Years War, Chatham saw the Company's acquisitions as a means of supplementing the Exchequer's income.⁴³ He attempted to establish the principle that the Company's acquisitions belonged to the crown; the claim however met with fierce resistance — even members of his own government doubted the wisdom of his course, especially the means by which he set out to achieve his aim: by a parliamentary inquiry.⁴⁴ In 1762, during the course of negotiations prior to the Treaty of Paris, the British government had declared to the French that any contested territorial possessions held by the Company were the Company's 'exclusive property' and the Crown had no right to interfere.⁴⁵ Yet in 1767 Chatham made use of the opinion given by the attorney and solicitor generals, Charles Yorke and Charles Pratt, to argue that the revenues had been acquired by conquest (rather than by a treaty or a grant) and therefore rightfully belonged to the Crown.⁴⁶ Supporters of the Company, on the other hand, held that the revenues had, in fact, been obtained as a grant from the emperor and were, consequently, the Company's private property.⁴⁷

Chatham's claim was presented as an assault on private property and chartered rights, and in the face of stiff opposition, as well as his lack of parliamentary support, he was forced to climb down. The issue would not be resolved until 1813, and Chatham had to be satisfied instead with an annual payment by the Company to the government of £400,000. The sanctity of chartered rights and private property were to remain the issues that would hamper future attempts of the government to regulate the Company's affairs, but at this stage the government was, in any case, unwilling to take responsibility for the administration of Bengal. It would later be noted in the *Annual Register* that the government had not seen it fit in 1767 to give the Company additional powers or regulations by which to govern the new acquisitions. It had not responded, in other words, to the Company's 'amazing change' of 'condition'.⁴⁸ The events in India between 1756 and 1765 had altered the extent and nature of Britain's concern there — Britain's relationship

⁴³ Bowen, 'A Question of Sovereignty? The Bengal Land Revenue Issue, 1765-67', *Journal of Imperial and Commonwealth History*, 16 (1988), 155–76 (p. 159).

⁴⁴ See: *ibid.*, pp. 169–70.

⁴⁵ Quoted in *ibid.*, p. 165.

⁴⁶ *Ibid.*, pp. 162–64. The 1757 Pratt-Yorke opinion was used to resolve similar disputes in North America, see: Bowen, 'British Conceptions', pp. 11–12.

⁴⁷ See the argument developed in: Anon., *A Letter to the Proprietors of India Stock Relative to the Critical Situation of their Affairs* (London, 1767), BL, OIOC Tract vol. 133.

⁴⁸ *Annual Register*, no. 16, p. 66.

with the sub-continent was transformed from a commercial to an overtly political one, but the British government had principally sought to acquire a share of the revenue.

Company officials, and many other astute observers, recognised that this alteration of the Company's affairs called for a reassessment of the British government's role in India or, at the very least, the investment of additional powers in the Company. Such arguments were put forward by individuals when East India affairs were under the scrutiny of parliament — most significantly in 1767 on the occasion provided by Chatham's inquiry, in 1769, when news of military defeats in India reached London and the directors responded with the decision to send supervisors, and in 1772–3, when news of the 1769–70 Bengal famine and the Company's mismanagement of Bengal was widely circulated in the press. It was only by 1772, when the Company faced a financial crisis, that North's government recognised that it could no longer ignore the problems that the Company's actions had given rise to, and turned its attention to reform. The rest of this chapter charts the progress of the ideology of empire in India from the late seventeenth century onwards and demonstrates that the security of Britain was its defining feature; it was the condition on which commercial and then territorial empire in the east was accepted. The chapter concludes by considering the specific challenges that territorial empire on the sub-continent presented to the country's policy makers.

II.

The victory at Buxar, sealed by the Treaty of Allahabad, came on the heels of the successes that Britain had enjoyed in the Seven Years War (1756–63). Together, they transformed the character of the British Empire. Linda Colley has observed that British people came to perceive their empire as consisting primarily of the thirteen colonies in America, and therefore as 'Protestant and Anglophone'. They further regarded it as a 'trading empire', and 'as the beneficent creation of a liberty-loving and commercial people'. The British Empire was also commonly contrasted to the Roman and Spanish empires of conquest.⁴⁹ The empire that Britain acquired after the Seven Years War, however, made this perception difficult to sustain; most obviously Quebec, with its

⁴⁹ Linda Colley, *Britons: Forging the Nation 1707–1837* (1992; repr. London: Pimlico, 2003), p. 102.

large French Catholic population, and Bengal, inhabited by Hindu, Muslim and Sikhs, could not be characterised as Protestant. As Marshall has argued in relation to Britain's acquisitions in the closing decades of the eighteenth century:

Concepts of a British empire over the seas that aspired [...] to be commercial, maritime, Protestant and free were no longer adequate. The British empire was now territorial as well as maritime, based on military in addition to naval power, and increasingly involved autocratic rule over peoples who were neither Protestant nor, in the British view, suited to a free government.⁵⁰

This altered reality presented ideological and practical problems for Britain's leaders. Yet the reasoning behind government policy had not changed. The reason why Britain had sought to acquire a commercial empire overseas was the same as the one that had led it to accept territorial responsibility in India after 1765: the security of Britain. Successive British governments may have been slow to confront the problems that the Company faced in India, but North's government did ultimately intervene to preserve what it clearly regarded as important to the interests of Britain: the Company and Bengal. Undoubtedly, the period after 1765 raised a different set of issues than the ones which had preoccupied thinkers earlier in the century; after the acquisition of *diwani*, informed observers debated whether a single body, in this case a company, could be sovereign and merchant simultaneously without destroying the foundations of trade — they were concerned with the impact that the Company's government of Bengal was having upon Bengal's prosperity and desired to construct a system of governing the territories that would not harm the British constitution. Issues that had concerned publicists at various times previous to 1765 included the amount of bullion that was 'drained' from Britain and sent to India, and the impact British foreign policy towards the European continent had on Britain's global interests. What remained constant in both periods was a desire to maintain a commercial advantage over her European rivals in order to preserve Britain's independence.

The rationale of Britain's global presence, in the late seventeenth century, was commercial; European governments, by this date, recognised that military and naval prowess could only be sustained by a successful international trading policy. Trade, in other words, came to be regarded

⁵⁰ Marshall, 'Introduction', in *'A Free Though Conquering People': Eighteenth-Century Britain and its Empire*, ed. Marshall (Aldershot: Ashgate Publishing, 2003), p. x; Marshall here derives his concept of the British empire from: Armitage, *Ideological Origins*.

as central to a state's continued independence and security. This was a view that was shared by the full range of political opinion in Britain, although land, as Colley points out, remained the 'source of power and prestige'. She argues that landed political elites saw the contribution that foreign commerce made to the state's wealth and power, but were especially willing to endorse the activity because it did not, until the 1760s, undermine their position.⁵¹ The observation that 'empire' was an extension of the process of state formation was a central thesis of Armitage's *Ideological Origins of the British Empire*. He pointed out that the forces which had been at play in the creation of a composite state such as the United Kingdom — 'conquest, annexation, inheritance and secession' — were the same ones that were involved in the creation of empires. This was a comparison that he drew with caution by demonstrating the different political and economic treatments that the composite elements of a state received next to those of an empire. Nevertheless, Armitage argued that in ideological terms, 'the processes of empire-building and state-formation' were connected.⁵²

Armitage has charted the progress of the perception of the British Empire as free, maritime and commercial, which had its origins in a whole discourse of political thought from the late sixteenth century. This discourse was concerned with how England could simultaneously achieve the mutually incompatible goals of *libertas* and *imperium*. Classical history taught that the territorial extension of a political community, specifically a republic, was inimical to its liberty. That is, the political freedoms and privileges enjoyed by a society under a republican form of government would be eroded by territorial acquisitions. The most common example employed by ancient historians to illustrate this connection was that of the Roman Empire. As Sallust had narrated, in his *Bellum Catilinae*, when Rome had been organised as a republic it had enjoyed liberty, and its people had displayed martial virtue as well as a concern for the common good. These conditions had enabled the expansion of the republic, but then:

Fortune began to grow cruel and to bring confusion into all our affairs. [...] Avarice destroyed honour, integrity, and all other noble qualities; taught in their place insolence, cruelty, to neglect the gods, to set a price on everything. [...] The state was changed and a government second to none in equity and excellence became cruel and intolerable.⁵³

⁵¹ Colley, *Britons*, pp. 60–62.

⁵² Armitage, *Ideological Origins*, pp. 22–23.

⁵³ Sallust, *Bellum Catilinae*, in *Sallust*, ed. and trans. J. C. Rolfe, Loeb Classical Library (London, 1920), x. 1–6; Armitage, *Ideological Origins*, p. 127.

The expansion of the republic had led to its political institutions being undermined by the moral transformation of the people and of their rulers. By contrast, the policy pursued by Sparta and, in modern times, by Venice, of restricting 'territorial expansion' had enabled them 'to maintain their political integrity' — to maintain their participatory political institutions.⁵⁴

The Roman model seemed to demonstrate how imperial expansion inevitably led to a system of absolute rule; this model influenced the development of a conception of the British Empire that was commercial rather than territorial. Rome was the example of how *imperium* endangered *libertas*: of how empires were acquired at the cost of the common good. However, at the same time, the Roman Empire was associated with greatness; Rome, it was suggested, would never have been 'great', if it had not pursued a policy of expansion. This was a problem that Machiavelli had turned his attention to; he argued that a republic could be constituted either with a view to its remaining within 'narrow limits' or it could be set up for expansion.⁵⁵ In the first case, the state would be exposed to the threat of conquest by others⁵⁶ — leading to the loss of its liberty — and, in the second case, the republic faced the dangers that attended territorial expansion, which included the establishment of a military dictatorship.⁵⁷ However, Machiavelli believed that a 'Roman type of constitution' (a republic constituted for expansion) afforded a state greater security, because the alternative type was impossible to maintain — it would eventually, contrary to its constitution, be forced to expand, leading to its subversion.⁵⁸

⁵⁴ Anthony Pagden, *Lords of all the World: Ideologies of Empire in Spain, Britain and France 1500–1800* (London: Yale University Press, 1995), p. 17.

⁵⁵ Niccolò Machiavelli, *The Discourses of Niccolò Machiavelli*, trans. Leslie J. Walker, 2 vols (London: Routledge & Kegan Paul, 1975), I. 6. 7, p. 225. Armitage, *Ideological Origins*, p. 128.

⁵⁶ 'It is impossible for a state to remain forever in the peaceful enjoyment of its liberties and its narrow confines; for, though it may not molest other states, it will be molested by them, and when thus molested, there will arise in it the desire, and the need, for conquest' (Machiavelli, *Discourses*, II. 19. 3, p. 415); a republic that was not created for expansion, but found itself with the need to do so, would be ruined because the 'basic principles' on which it was established, would be 'subverted'. In addition, if the necessity of war never confronted it, the republic would still face destruction: 'it will then come about that idleness will either render it effeminate or give rise to factions; and these two things, either in conjunction or separately, will bring about its downfall' (ibid., I. 6. 9, p. 226).

⁵⁷ See: ibid., III. 24, pp. 535–36. The republic could also be harmed by the 'luxurious habits' of those it conquered, as these habits could be contracted 'by those who have intercourse with it', leading to the loss of those qualities that enabled it to conquer in the first place (ibid., II. 19. 8–9, pp. 417–18).

⁵⁸ Ibid., I. 6. 9–10, pp. 226–27.

Machiavelli presented a choice between a republic created for territorial expansion and one intended for preservation, but neither were exempt from the possibility of losing their liberty. It was a problem that would continue to confront thinkers in England during the period of the Protectorate and, increasingly, after the Restoration.⁵⁹ Yet, as trade became recognised as a reason of state, Machiavelli's alternatives no longer appeared adequate. Theorists of political economy recognised that the security and greatness of the state required a successful commercial policy: trade generated wealth, which in turn could finance the defence expenditure of governments. As Istvan Hont has shown, governments through the course of the early modern period became forced to engage with commerce 'both as a reliable source of income and as an ultimate resource for their own defence and military efficacy'.⁶⁰ Rulers discovered that without trade, the costs of modern warfare could not be met. Consequently, a country that traded more successfully than its rivals, could afford to expand its military expenditure. Conversely, a country whose trading policy proved less successful, could not devote the same sums to its defence, and was therefore vulnerable to conquest. While commerce itself might best flourish in times of peace, rulers were prepared to fight in order to preserve their trading advantages. Therefore, trade and preservation of the state were intimately connected with war and expansion. Yet the 'empire' that England's rulers hoped to acquire in the late seventeenth, and at the turn of the eighteenth century, was not a land based one; rather the prosperity and security of England depended on establishing control of the seas, and thereby controlling international trading routes.

The perception of what was central to Britain's security underscored the steps that British policy makers took. The developing argument — that a state's security lay not in territorial expansion but in a commercial, maritime empire — was clearly articulated by Davenant, the political economist, at the close of the seventeenth century. He argued that trade was more of a 'Matter of State' than 'any thing in the World': 'Can a Nation be Safe without Strength? And is Power to be Compass'd and Secure'd but by Riches? And can a Country become Rich any way, but by the Help of a well Managed and Extended Traffick?' By asking these questions, Davenant revealed

⁵⁹ Armitage, *Ideological Origins*, pp. 134–41.

⁶⁰ Istvan Hont, 'Free Trade and the Economic Limits to National Politics: Neo-Machiavellian Political Economy Reconsidered', in *The Economic Limits to Modern Politics*, ed. John Dunn (Cambridge: Cambridge University Press, 1990), p. 43.

the connections he believed existed between security, power, riches and commerce. International trade was the means by which a state acquired strength and riches; it was the means, Davenant stated, by which England had raised sufficient funds to finance the cost of what was the Nine Years War (1688–97). He argued that the sale of the natural produce of England alone would never have generated the wealth necessary for this purpose: 'the Soil of no Country is Rich enough to attain a great Mass of Wealth, merely by the Exchange and Exportation of its Own Natural Produce'.⁶¹ After setting out the centrality of trade to England's sovereignty, Davenant complained that the country's leaders had not given commerce the attention that it deserved, but had managed it instead as an 'Accidental Ornament', rather than as the 'Chief Strength and support of the Kingdom'.⁶²

Davenant recognised that in the modern world, an indirect form of domination over other countries depended on commercial success. Strength and wealth, he suggested, were not necessarily acquired by territorial aggrandisement but could be secured through international commerce. Yet the benefits of commerce were by no means unmixed — Davenant, as we shall see, pointed out that trade could, in the end, harm the state itself. Furthermore, other political theorists who accepted the importance of commerce with the East Indies for England, did not agree on what the best means of conducting that trade might be. Crucially there existed disagreement regarding whether the trade should be conducted freely — that is, open the East India trade to all merchants — or if it could only properly be executed by an exclusive company. There was also controversy regarding the proper degree of government involvement in the workings of the market. Any error in this area by the government would have devastating consequences for the country's commerce.

In a context where rulers saw themselves as being in competition with one another for a world of finite resources, commerce did not create mutually beneficial and reciprocal relationships

⁶¹ Davenant, *Essay on the East-India Trade*, p. 7. See also: John Robertson, 'Universal Monarchy and the Liberties of Europe: David Hume's Critique of an English Whig Doctrine', in *Political Discourse in Early Modern Britain*, ed. Nicholas Phillipson and Quentin Skinner (Cambridge: Cambridge University Press, 1993), pp. 357–61.

⁶² *Ibid.*, p. 11.

between nations — trade was not the ‘antithesis to warfare’.⁶³ However, establishing commercial superiority was not something that could be enforced by the government; the novel problem that international trade presented to rulers was that it was beyond any individual government’s sphere of control. Commerce was subject to its own laws — fundamentally, the interaction of demand and supply. To be a successful trading nation required supplying goods at low prices which necessitated that domestic wages be kept low.⁶⁴ This confronted governments with a new state of affairs: ‘for the nation, the state, to submit itself to this kind of arbitration, to ground its military strength, national glory, and political stability upon commercial success in foreign markets created a wholly new situation’. Governments, as Hont points out, were now obliged to train themselves in the realities of market forces.⁶⁵ The country that did manage to trade successfully — that is, according to the laws of trade — could find itself dominating sections of the international market.

The occasion of Davenant’s *Essay on the East India Trade* was provided by the bill introduced by parliament in 1696 prohibiting the wearing of East India and Persia silks, printed calicoes and other imports, in response to the protests of English manufacturers against them.⁶⁶ Davenant, who in the 1690s was employed by the East India Company (which, at this time, did not enjoy a good relationship with the government),⁶⁷ believed that any restrictions on the East India trade would be harmful to it, and more generally, he argued against government interference in the workings of commerce: ‘trade is in its Nature Free, finds its own Channel, and best Directeth its own Course’.⁶⁸ Among those who had agitated for the bill were English wool manufacturers who wanted to encourage the domestic consumption of their product. Davenant argued that restricting the use of foreign imports, and expanding the domestic demand for wool, was not the way to go about it: ‘the Natural Way of promoting the Woollen Manufacture, is not to force its

⁶³ Hont, ‘Free Trade’, p. 43.

⁶⁴ In Davenant’s recommendation for promoting England’s woollen trade he argued: ‘to make *England* a true Gainer by the Woollen Manufacture, we should be able to work the Commodity so Cheap, as to under-sell all Comers to the Markets abroad’ (*Essay on the East-India Trade*, p. 28).

⁶⁵ Hont, ‘Free Trade’, pp. 43–44.

⁶⁶ See: P. J. Thomas, *Mercantilism and the East India Trade: an Early Phase of the Protection V. Free Trade Controversy* (London: P. S. King, 1926), chs II–V.

⁶⁷ Julian Hoppit, “Davenant, Charles (1656-1714),” in *ODNB*, ed. H. C. G. Matthew and Brian Harrison (Oxford: Oxford University Press, 2004) <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/7195>> [accessed 19 July 2005].

⁶⁸ Davenant, *Essay on the East India Trade*, p. 25.

Consumption at home, but by wholesome Laws to contrive, That it may be wrought cheaply in *England*, which consequently will enable us to command the Markets abroad'.⁶⁹ This argument was denounced by Pollexfen, who was a member of the government's board of trade between 1696 and 1707.⁷⁰ He argued that the idea of selling cloth abroad, rather than at home, in order to get the best price, was equivalent to arguing that 'the best way for a Man to preserve his Life, were to Cut his own Throat'.⁷¹

Pollexfen then proceeded to demonstrate the fallacy of Davenant's argument by pointing out that the French had taken the opposite path to the one advocated by Davenant. They had, he argued, by an Edict of 26 October 1686, burnt Asian goods and promoted the consumption of domestic manufactures. The result of this had been that they had 'increased their Riches, Seamen and Navigation, to such a degree in 40 Years time, as hath enabled them to maintain a long War with most of the Princes of *Europe*, without much help from the *East-India Trade*'.⁷² In Pollexfen's view, this proved that it was possible for country to 'Thrive by Trade' without having anything to do with the eastern trade.⁷³ He also accepted that trade generally required liberty to flourish, but argued that all rules had their exception; the East Indian and woollen trade were two instances where he believed the government should interfere.⁷⁴ He rejected Davenant's calculations that the '*East India Trade* did annually add to the gross Stock of *England* at least £600,000 *per Annum* in times of Peace';⁷⁵ instead, he calculated that the trade had brought an annual loss to England of £400000.⁷⁶ Earlier in the century, Thomas Mun (*bap.* 1571, *d.* 1641), had justified the East India trade on the basis that it augmented the wealth of the kingdom because Indian goods were not consumed at home⁷⁷ but were either re-exported, or finished at home and then also re-exported.⁷⁸ However in the 1660s and 1670s, the volume of trade with

⁶⁹ *Ibid.*, pp. 26–27.

⁷⁰ Richard Grassby, "Pollexfen, John (1636-1715)," in *ODNB*, <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/22475>> [accessed 19 July 2005].

⁷¹ Pollexfen, *England and East-India Inconsistent*, pp. 25–26.

⁷² *Ibid.*, p. 42.

⁷³ *Ibid.*, p. 43.

⁷⁴ *Ibid.*, p. 52.

⁷⁵ Davenant, *Essay on the East India Trade*, p. 17.

⁷⁶ Pollexfen, *England and East-India Inconsistent*, p. 6.

⁷⁷ This was with the exception of items that Mun regarded as 'essentials', see: William J. Barber, *British Economic Thought and India 1600–1858: a Study in the History of Development Economics* (Oxford: Clarendon Press, 1975), pp. 13–14.

⁷⁸ See: Barber, *British Economic Thought*, pp. 10, 13–15.

Asia had expanded significantly and the number of Indian goods consumed at home increased. Pollexfen argued that this development undermined the basis of the Indian trade — Britain was not gaining by it.⁷⁹

Davenant accepted that Europe annually lost gold and silver to Asia and argued that they would have been a 'full Third' richer if they [Europe] had never discovered or engaged in trade with the sub-continent.⁸⁰ Significantly however, Davenant stressed that it was France, Germany and Spain — who did not trade directly with India — that actually bore the cost of this trade.⁸¹ In any case, the trade could not now be prohibited by law, argued Davenant, as the people had grown accustomed to Indian goods: 'the Laws of all Countries must be suited to the Bent and Inclinations of the People: And (which I am loath to say) there is sometimes a Necessity, they should be a little accommodated to their deprav'd Manners, and Corruption'.⁸² This was an apt illustration, as Hont argues, of the way 'commercial society, [...] set clear limits to ideological politics'.⁸³ The reservations that Davenant displayed towards the Indian trade stemmed from the ideal he cherished of Sparta, which he conceived as a frugal and simple nation. Such qualities, according to commonplace trajectory, could not be sustained by extensive foreign commerce: 'Trade [...] is in its nature a pernicious thing; it brings in that wealth which introduces luxury; it gives a rise to fraud and avarice, and extinguishes virtue and simplicity of manners'. Yet, Davenant argued that trade, specifically the East Indian trade, had become a 'necessary evil';⁸⁴ England had to engage in this activity because it was central to her prosperity and safety. He argued that if Britain abandoned the Indian trade, the Dutch would 'engross the whole: And if to their Naval strength in *Europe*, such a foreign Strength and wealth be added', England's trade would depend on the cooperation of the Dutch.⁸⁵

⁷⁹ Pollexfen, *England and East-India Inconsistent*, p. 3.

⁸⁰ Davenant, *Essay on the East India Trade*, pp. 12–14.

⁸¹ *Ibid.*, pp. 14–15.

⁸² *Ibid.*, p. 48.

⁸³ Hont, 'Free Trade,' p. 68.

⁸⁴ Davenant, *An Essay upon the Probable Methods of making a People Gainers in the Balance of Trade* (1669), in *The Political and Commercial Works of the Celebrated Writer Charles D'Avenant, LL.D.*, ed. Sir Charles Whitworth, 5 vols (London, 1771), vol. 2, p. 275, quoted in Hont, 'Free Trade', p. 65.

⁸⁵ Davenant, *Essay on the East India Trade*, pp. 18–19.

The rationale behind Davenant's argument was twofold. Firstly, very much like Machiavelli, who had thought that states faced the alternative of either conquering others or being conquered, so Davenant thought that England was obliged to participate in the East India trade and thereby enjoy the wealth it would bring; or it could allow other countries to reap the advantages and thereby reduce itself to a position of weakness.⁸⁶ Secondly, he argued that the only way that England could retain its liberty (from external threats) was by wealth. England required adequate resources for military expenditure if she was going to remain free from the threat of conquest. Trade was a method by which these funds could be raised:

The power of our neighbours, both by land and sea, is grown so formidable, that perhaps we must be for some time upon our guard, with fleets too big to be maintained merely by the natural produce and income of our country. We must therefore have recourse to those artificial helps which industry and a well governed trade may minister.⁸⁷

The important claim that Davenant was making was that England had to establish its 'dominion on trade' and his work was concerned with how successful and durable commerce could be conducted by a nation.⁸⁸ Davenant believed 'whatever Country can be in full and undisputed Possession of it [East India trade], will give Law to all the Commercial World'.⁸⁹ By establishing itself as the foremost traders, England would not enjoy a territorial empire but it would still enjoy a form of dominion over other countries. A commercial empire was conceptually more easily reconciled with liberty than a territorial and military one — the precondition of trade itself was liberty. The importance of commerce to a country's security would theoretically constrain governments from attacking the liberties of the people upon which trade depended.⁹⁰

It was the fear of the negative moral and political consequences that attended large land-based empires such as Rome, which led to the British Empire being theorised in a different way in the early modern period. Machiavelli's concern had been to address the lack of durability of a

⁸⁶ Davenant argued that if, for whatever reason, English merchants abandoned the India trade, the Dutch would take it over 'And such an Addition to their Riches and Power at Sea can by no means be consistent with the Welfare, and Safety of this Nation', *Essay on the East India Trade*, p. 56.

⁸⁷ Davenant, 'That Foreign Trade is beneficial to England,' *Discourses on the Public Revenues, Part II*, Discourse I, in *Works*, vol. 1, p. 348, quoted in Hont, 'Free Trade', p. 67.

⁸⁸ Hont, 'Free Trade', p. 70.

⁸⁹ Davenant, *Essay on the East India Trade*, p. 18.

⁹⁰ See: Armitage, *Ideological Origins*, pp. 142–43.

political community, and this too had informed Davenant's theories and those of political economy more generally at this time. We have seen that Davenant argued against interfering in the workings of commerce, yet he also believed that action should be taken to undermine the trade of England's rivals in order to protect its trading interests. This was illustrated in his thought by the policy that he argued should be adopted in relation to Ireland. Poor countries, such as Ireland, enjoyed an advantage over richer ones, in the form of low waged workers, which reduced their overall production costs. In the context of free trade, Davenant feared that a country like Ireland would be able to supply certain goods more cheaply than domestic producers. Consequently, allowing the Irish to enjoy free trade, was tantamount to sacrificing the good of England. Davenant believed that it was entirely justifiable to 'interrupt the too sudden growth of any neighbour nation' — if the greater good of the nation demanded it.⁹¹

III.

Davenant's ideas and claims regarding the extent of the government's role in the workings of the market, and concerning the benefits of the East India trade did not, as we have seen, go unchallenged. Yet the claim that commerce was integral to the prosperity and sovereignty of England was a crucial one for the rationalisation of a commercial empire. Such an empire allowed England to enjoy great power without being faced with the prospects of corruption and decline associated with territorial expansion. Wealth and the attendant power that commerce brought to Britain was celebrated by Joseph Addison (1672–1719) in the *Spectator* in 1711: 'Our *English Merchant* converts the Tin of his own Country into Gold, and Exchanges his Wooll for Rubies'.⁹² More revealingly still, he pointed out that 'trade, without enlarging the *British Territories*, has given us a kind of additional Empire'.⁹³ This additional kind of empire — a maritime empire of trade — had given Britain an advantage in the international arena of a kind that, according to Machiavelli, belonged to an aggressive and assertive republic. As Daniel Defoe (1660?–1731) remarked in 1729, 'the *Trading Nations* of the world are now become infinitely superior in wealth and power, to those who might properly be call'd the *Fighting*

⁹¹ Davenant, *Balance of Trade*, in *Works*, vol. 2, p. 254; see also Hont, 'Free Trade', pp. 84–89.

⁹² *The Spectator*, ed. D. F. Bond, 5 vols (Oxford: Clarendon Press, 1965), I, no. 69 (19 May 1711), p. 296.

⁹³ *Ibid.*

Nations, and whose grandeur depended upon the Extent of their Dominions, and Number of conquer'd countries'.⁹⁴

Defoe had been one of Robert Harley's agents, and between 1707 and 1714, he had received a salary from the government.⁹⁵ In the 1720s however, Defoe had turned his literary skills to writing about Britain's commerce.⁹⁶ Trading nations, Defoe argued, had not attained superiority by the 'policy of their Government, the Prudence of their Counsels, or the Valour of their Troops', but by the expansion of their commerce. This expansion had 'enlarg'd their Wealth and Power, attracted Multitudes to dwell in the most narrow and prescribed Bounds and found Subsistence for them, where the Country itself could not maintain the tenth Part of them'. He believed that a nation, on the basis of its trade, could establish itself as the foremost naval power and could thereby keep the rest of the world in 'awe'.⁹⁷ The clear equation of naval strength with international trade, was further strengthened by Defoe, by the argument that the sailors required by a maritime power were ultimately 'nourish'd' and 'increased' by trade.

In addition, like Davenant, Defoe recognised that whichever country managed to control trade, could dictate its terms to its rivals: 'if any one Nation could govern Trade, that Nation would govern the world; could it give Laws to the Commerce, it would give Laws to the People, and the whole world would be its Dependents and Subjects'.⁹⁸ Defoe went on to outline his views on the potential of trade with Africa and the difference between beneficial and pernicious trade.⁹⁹ This was an important distinction as, in Defoe's estimation, the East India trade was more pernicious than beneficial to Britain. This was because it undermined Britain's domestic industries: bullion rather than British goods were exported to Asia, and finished goods rather

⁹⁴ [Defoe], *Advantages of Peace and Commerce*, p. 3.

⁹⁵ W. A. Speck, "Harley, Robert, first earl of Oxford and Mortimer (1661-1724)," in *ODNB*, <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/12344>> [accessed 19 July 2005].

⁹⁶ Other examples of this works include: *The Complete English Tradesman* (1726), and: *An Humble Proposal to the People of England, for the encrease of their Trade and Encouragement of their Manufactures* (1729); see: Paula R. Backscheider, "Defoe, Daniel (1660?-1731)," in *ODNB*, <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/7421>> [accessed 19 July 2005]. For a treatment of his economic writings see: Peter Earle, *The World of Defoe* (London: Weidenfeld and Nicolson, 1976), pp. 107-41.

⁹⁷ [Defoe], *Advantages of Peace and Commerce*, pp. 3-4.

⁹⁸ *Ibid.*, pp. 4-6.

⁹⁹ On the potential of trade with Africa, according to Defoe, see: *ibid.*, p. 14.

than bullion were imported into Britain.¹⁰⁰ Defoe argued that the trade was in fact detrimental to all of Europe, which was why he believed that it should be carefully controlled; British policy makers, he advised, should beware of the Russians and ensure that they did not establish direct trading links with China, India, Persia and Turkey, and by carrying goods over land and river (rather than via the Cape of Good Hope), open a 'Back-Door' by which East India goods could 'Flood' into Europe.¹⁰¹

Defoe felt that the cost of carrying Indian goods by this back-door route to Europe was much lower than the passage via the Cape of Good Hope, and therefore the goods could be sold more cheaply on European markets. He argued that it was in the interest of Europe to try if possible to prevent the establishment of the Ostend¹⁰² and, potentially, a Muscovite Company; further, he stressed that Britain should take steps to protect her manufactures (by prohibiting the use of Indian wrought silks and calicoes) and to only purchase goods that were 'absolutely necessary for Europe', such as salt-petre, pepper and spices.¹⁰³

It were greatly to be wish'd indeed, that the Trade to *China* and *India* were in itself a profitable Trade to the rest of *Europe*; then the opening these Back-Doors or By-Channels might be of some Use to us: but as it is, I must confess it seems to be nothing but opening a new Passage to let in more Thieves upon us, to carry away our ready Money; and that neither this [Muscovite Company] any more than the *Ostend* Company should be allowed, if it could be help'd, nor our own be allow'd to bring any Goods but such as are absolutely necessary for our Use.¹⁰⁴

By taking such precautions, Defoe suggested that Britain could mitigate the 'harm' the East India trade caused to her. His argument revealed that commerce with the east continued to be regarded as a mixed blessing for Britain, but even the benefits of this trade could not be realised if peace in Europe was not upheld. The overall message that Defoe was trying to impress on his readers was

¹⁰⁰ [Defoe], *The Trade to India Critically and Calmly Consider'd and Prov'd to be Destructive to the General Trade of Great Britain as well as to the Woollen and Silk Manufactures in Particular* (London, 1720), p. 40; [Defoe], *Advantages of Peace and Commerce*, pp. 17–18.

¹⁰¹ [Defoe], *Advantages of Peace and Commerce*, pp. 28, 19.

¹⁰² The Ostend Company was inaugurated in 1722 by the Emperor Charles VI, but after pressure from British, Dutch and French governments, its charter was suspended in 1727 and cancelled in 1731 (Parry, *Trade and Dominion*, p. 64).

¹⁰³ [Defoe], *Advantages of Peace and Commerce*, p. 18; [Defoe], *Trade to India*, pp. 44–45. Cf. Anon., *Some Considerations on the Nature and Importance of the East-India Trade* (London, 1728), BL, OIOC Tract Vol. 64, pp. 69–71.

¹⁰⁴ [Defoe], *Advantages of Peace and Commerce*, pp. 36–37.

that Britain's 'Wealth and Power, our Fame and Glory' rested upon the preservation of her trade, which in turn required the maintenance of peace.¹⁰⁵

By stressing the importance of peace for British commerce, Defoe was implicitly engaging in the current controversy regarding Robert Walpole's government and British foreign policy. British politics throughout the 1720s and 30s were dominated by Walpole (1676–1745); his ascendancy fostered a proliferation of opposition literature — most notably Bolingbroke's *The Craftsman*, a weekly that was first published in 1726.¹⁰⁶ These anti-Walpole tracts, periodicals and papers, attacked Walpole's government as corrupt because of his use of patronage and bribery to secure influence, by which he then (it was contended) undermined the balance of the constitution.¹⁰⁷ Walpole was further condemned, among other things, for his foreign policy: throughout the 1730s, Walpole attempted to avoid involvement in another continental war — remaining neutral, for instance, during the War of the Polish Succession.¹⁰⁸ Britain also attempted to resolve its disputes with the Spanish by negotiation (rather than force), believing it to be in the better interests of British commerce.¹⁰⁹

This was a policy that Defoe endorsed; he argued that although England, as a trading nation, enjoyed an advantage in war because of the greater resources it commanded,¹¹⁰ it also had more to lose: 'therefore I cannot but pay a great Deference to the Endeavours of those Ministers, who, notwithstanding the Murmurs of the People, apply themselves to Preserving the Peace of *Europe*'.¹¹¹ However, in the wake of Spanish depredations of British ships in the Atlantic, the opposition demanded a more robust response. Walpole managed to negotiate a settlement with the Spanish (Convention of the Pardo, January 1739) but was forced to declare war in October

¹⁰⁵ Ibid., pp. 38, 40.

¹⁰⁶ Shelley Burtt, *Virtue Transformed: Political Argument in England 1688–1740* (Cambridge: Cambridge University Press, 1992), p. 88.

¹⁰⁷ For a treatment of Bolingbroke's argument see: Burtt, *Virtue Transformed*, ch. 5; Duncan Forbes, *Hume's Philosophical Politics* (Cambridge: Cambridge University Press, 1975), ch. 6.

¹⁰⁸ Jeremy Black, *A System of Ambition? British Foreign Policy 1660–1793* (1991; Gloucestershire: Sutton Publishing, 2000), pp. 186–87.

¹⁰⁹ Kathleen Wilson, 'Empire, Trade and Popular Politics in Mid-Hanoverian Britain: the Case of Admiral Vernon', *Past and Present*, 121 (1988), 74–109 (p. 96).

¹¹⁰ 'The longest Purse, not the largest Sword, gets the Day in the End; and as nothing can furnish Money like Commerce, so the Trading Countries have manifestly the Advantage in a war', [Defoe], *Advantages of Peace and Commerce*, p. 23.

¹¹¹ Ibid., p. 24.

1739 (the War of Jenkins' Ear), when the Spanish seized British ships.¹¹² The opposition argued that Walpole's foreign policy had been detrimental to Britain's overseas commercial interests, because it had enabled her rivals to increase in strength unopposed; this argument was an integral component of their wider case against what they saw as the corruption of the Walpole regime.¹¹³

Charles Forman (d. 1739),¹¹⁴ the political pamphleteer, contributed to the ongoing debate regarding British foreign policy, on the side of the opposition; in a posthumously published pamphlet addressed to Walpole, he argued: 'I [...] hope you will please to dedicate some small portion of your Time to the Preservation of *what* feeds the Poor, enriches the Industrious, and principally supports the State itself. This, Sir, is the Duty of a Minister'.¹¹⁵ Forman here had Britain's commerce in mind and felt that Walpole had not given it the attention that it deserved. The pamphlet was originally written in 1733, urging Walpole not to sacrifice Britain's commercial interests for the sake of maintaining an alliance with the Dutch. Yet it was not published in that year because Forman felt that the death of King Augustus II of Poland altered the situation on the continent, and Britain then needed to support her European allies.

This was the explanation given in the preface to the 1741 publication of the work: '*Great Britain* could not set matters to rights with *Holland*, without evidently risking the Grand Alliance, and consequently leaving *France* and *Spain* at full liberty to go through with the project they had formed for enriching themselves with the Spoils of the House of *Austria*'.¹¹⁶ In the event however, Britain had not supported her ally, Austria, when she had been attacked by France in 1733, and consequently, in the pamphleteer's opinion, allowed France to grow in strength.¹¹⁷ The decision to publish Forman's *Queries and Observations* was taken in 1741 because of the continued currency

¹¹² Wilson, 'Empire, Trade', pp. 78–80. Bruce Lenman, *Britain's Colonial Wars 1688–1783* (Essex: Longman, 2001), pp. 59–60, 64–65.

¹¹³ See: Wilson, 'Empire, Trade', p. 96.

¹¹⁴ Forman was a Jacobite, he became secretary to John Law (1671–1729) in 1720, and he wrote a number of pamphlets on politics and commerce, see: James Sambrook, "Forman, Charles (d. 1739)," in *ODNB*, <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/68299>> [accessed 19 July 2005].

¹¹⁵ Forman, *Queries and Observations*, p. 10. Although published in 1741, it was, according to internal information, written in Paris in 1733.

¹¹⁶ *Ibid.*, p. iv.

¹¹⁷ Black, *System of Ambition*, pp. 185–86, 188–90.

of Forman's argument — the British government had persistently failed to follow a policy on the continent that protected Britain's global interests.¹¹⁸ By 1741, the opposition's grievances against Walpole's policy had only been exacerbated; they contended that the government had mismanaged affairs on the continent and failed to conduct the Spanish war properly.¹¹⁹

These debates demonstrate that neither the opposition, nor the government, denied the importance of commerce to the security of Britain. The point they disagreed upon was the strategy that best preserved Britain's interests. Forman believed that Britain's commercial interests no longer lay in supporting her old European alliances. He reminded Walpole of Addison's description of the benefits of commerce, where Addison had described English merchants converting tin into gold by engaging in international trade; it was a 'picture', said Forman, of what Britain could enjoy if it was encouraged and protected by 'our ministers'.¹²⁰ On other hand, if it was neglected by a 'foolish, a knavish' and 'an ignorant' administration, Britain could expect 'poverty and neglect' for herself and for her rivals to gain what she had failed to preserve: 'we must [...] unavoidably dwindle into Poverty as they encrease in Riches at our Expençe'. The failure to pay due attention to Britain's trade was tantamount to betraying Britain's commercial interests to foreigners — individuals guilty of such neglect, argued Forman, could only be considered as 'an enemy to his country as well as a Traytor to his Prince'.¹²¹ This was a clear illustration of the way the opposition equated patriotism with the preservation of Britain's commerce. Forman contended that the Dutch East India Company had risen because its government had aggressively pursued its commercial interests and by 'seizing other People's Dominions' had become 'Lawgivers to the Universe in regard to the Trade of the East'.¹²² Forman argued that Britain should advance her own interests by not joining the Dutch in preventing the Portuguese and Spanish from trading with the East Indies, but in preventing the Dutch from further aggrandising themselves.

¹¹⁸ Forman, *Queries and Observations*, pp. iii–viii.

¹¹⁹ See: Black, *System of Ambition*, pp. 183–94; Frank O'Gorman, *The Long Eighteenth Century: British Political and Social History 1688–1832* (London: Arnold, 1997), p. 84.

¹²⁰ Forman, *Queries and Observations*, p. 12.

¹²¹ *Ibid.*, p. 13.

¹²² *Ibid.*, pp. 44–45.

IV.

The attention of publicists was drawn more specifically to the preservation of Britain's commerce in the East Indies, rather than the more general concern displayed by Defoe and Forman with Britain's global interests, when in 1744 war broke out with France. This decade, as a whole, proved to be an important one for the development of Britain's relationship with India, because of the way the Company responded to the perceived French threat. Defoe (and Davenant before him) had displayed an ambivalent attitude towards the eastern trade, but accepted its necessity. This continued to be the case in the 1740s, when Britain was faced with the prospect of being driven out of India by the French; publicists may not have regarded the eastern trade as equivalent in importance to the American one, but this did not mean that they were prepared for Britain's position on the sub-continent to be eclipsed by the French. British policy makers, in turn, by their military response to French actions, made it abundantly clear that Indian trade was not an expendable component of British security.

In 1744, instead of observing the customary neutrality in Asia towards French traders, the British seized French ships. In response, the French governor, Joseph Dupleix captured the British Fort St. George at Madras in 1746. This was ultimately returned to the British by the Peace of Aix-la-Chapelle, in 1748, but the French subsequently began to use their troops in Indian succession disputes in the Carnatic — the French realised that they could achieve their objectives in India by militarily supporting a pliant Indian claimant to the throne who, upon his successful accession, would then be willing to grant their requests.¹²³ One keen observer of Indian affairs at mid-century, recognising the threat that French strategy posed to the Company in India, argued that the Company directors were not taking the steps necessary for protecting British interests on the sub-continent. He argued that the directors had not sent their servants in India sufficient troops to protect themselves in 1746, nor allowed them to spend the sums necessary for protecting the Madras settlement. He went on to argue that the Company's interests had been

¹²³ Lenman, *Britain's Colonial Wars*, pp. 92–96. One contemporary argued: 'The governors of the French and English East-India companies on the coast of Coromandel, finding a body of European troops at their command and disposal, perceived that this put it in their power to acquire an influence among the unwarlike natives. With this view they began to interfere in the political government of those countries, in which they had till then peaceably traded. They stirred up competitors to form pretensions, and each supported his claimant with the whole force of his constituents', Anon., *Reflections on the Present State*, p. 18; see also pp. 17–19.

neglected and that Dupleix was perfectly justified for reportedly having said that Britain's directors were 'unqualified for great Affairs! We [French] offered them a Neutrality which they refused, then squirted out a little Squadron to surprise our trade; and with this Insult upon us, neglected to the last to put their Settlements in any Posture of defence'.¹²⁴

The perception of the threat that the French posed to Britain's interests led observers to urge the Company to adopt a more aggressive policy towards preserving its commerce. Nathaniel Smith,¹²⁵ reflecting back upon these events in 1771, would argue that Dupleix had first 'opened the way to acquiring territorial possessions in India'; his initial success (the loss of Madras), suggested Smith, had been the result of Britain's 'inactivity and wretched parsimony'. It was only after the 'French and the Indian powers together had almost drove us into the sea' that, he believed, Britain had begun to assert its military prowess, under the leaderships of Clive and Major Stringer Lawrence.¹²⁶ In other words, as Smith rationalised the situation, France's policies on the sub-continent forced the Company to follow a similar strategy, and ultimately, in order to maintain its advantage, the Company was left with no option but to acquire political power.

Between the peace that was ratified in 1748, and the outbreak of the Seven Years War, the perception that France was actively working to advance her interests at Britain's expense was an influential one. One 'Friend to the British Flag' argued that while Britain had kept to the terms of the 1748 peace, France was daily undermining it.¹²⁷ He believed that France was secretly building up her military presence in Asia, Africa and America (places where Britain's 'chief

¹²⁴ Anon., *A Letter to a Proprietor of the East-India Company* (London, 1750), BL, OIOC Tract Vol. 83, pp. 6–7, 11–15, 17n.

¹²⁵ (1730–1794); Smith served in the Company's maritime service and was to hold the post of director of the Company at various times between the years 1774–90. In addition, he was MP for different constituencies between 1783 and 1794. Further information on his career can be found in Parker, 'Directors', pp. 249–51.

¹²⁶ [Nathaniel Smith], *Observations on the Present State of the East-India Company* (London, 1771), BL, OIOC Tract vol. 128, pp. 3–4. See: Bowen, 'Clive, Robert, first Baron Clive of Plassey (1725-1774)', in *ODNB* <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/5697>> [accessed 27 July 2005].

¹²⁷ Anon., *Some Material*, pp. 3–4; the author added 'The grand Characteristic of the *French* Nation, particularly to this Kingdom, is, [...] Perfidy and Breach of Faith, [...]; their Religion plainly and absolutely forbids them to keep Faith with Hereticks (the Appellation given us by the holy See of *Rome*)' (*ibid.*, p. 5).

Dependence lie'), and that unless Britain's leaders implemented measures to preserve her interests France would successfully expel Britain from those parts of the world.¹²⁸

One area that he identified as needing the urgent attention of government was the loss of her skilled workers to her rivals — his argument revealed the associations that thinkers continued to make between commerce and a country's international strength. It was trade, not territory, that publicists like the 'Friend of the British Flag' wanted to preserve and expand; any aggressive policy on the sub-continent was aimed at securing the Company's commerce — not at gaining land for its own sake. He argued that Britain had lost her 'ingenious Ship-Carpenters, brave and intrepid sailors' and gained 'Raguamuffons' like 'Italian Singers' and 'French Dancers'.¹²⁹ He wanted Britain's leaders to create employment for her skilled workers, because he believed that their continual exodus to France and Spain strengthened those countries, as well as having detrimental effects on Britain's industry, and consequently her wealth, and ability to protect herself.

A similar argument was advanced by Malachy Postlethwayt (1707–1767) in his *Universal Dictionary of Trade and Commerce*. He argued that Britain could attempt to deal with the constant threat that the French posed to her interests by resorting to war, but that would not give Britain any permanent security. Postlethwayt argued that Britain should instead increase her power by improving her industry:

The art of war is now become a science, and indeed, a trading one, and France is often obliged to give their military people diversion abroad, lest they should be troublesome at home. War [...] seems to be necessary to that nation; but it is no way so to us [...]. Let us, so deal with France, and, indeed, with all other nations, by the peaceable arm of commerce; let us beat them by our superior industry in the acquisition of such useful arts as will not only employ our own people, but invite all hither who are oppressed in other countries.¹³⁰

¹²⁸ Ibid., p. 11.

¹²⁹ Ibid., pp. 7–9.

¹³⁰ Malachy Postlethwayt, *The Universal Dictionary of Trade and Commerce Translated from the French of the Celebrated Monsieur Savary, Inspector-General of the Manufactures for the King, at the Custom House of Paris: with Large Additions and Improvements Incorporated Throughout the Whole Work; Which More Particularly Accommodate the same to the Trade and Navigation of these Kingdoms, and the Laws, Customs and Usages, to Which all Traders are Subject*, 2 vols. (London, 1751–55), I, p. 355.

Both Postlethwayt and the author of *Some Material* sought to give advice on how Britain could maintain or gain an advantage over France and Spain. Postlethwayt was suggesting that by making Britain the centre of industry, she would attract the skilled workers of other countries and her rivals would be forced to buy goods from her — they would no longer possess the workers by which to compete with her. Whether this was sustainable in the long run was a matter of debate; Davenant had argued that the low wage advantage of a poor country would undermine the industries of the richer ones, consequently he had advocated taxing the poorer countries in order to maintain England's advantage. David Hume on the other hand presented a vision of complementary trade between nations based on an international division of labour.¹³¹ These are debates that will be considered in chapter five below. The important point here is that thinkers like Postlethwayt pointed to the indispensability of commerce to Britain's security and recognised the East India trade as an essential component of that; he argued that the trade with the East Indies was 'one great wheel that moves many other'.¹³² Even Pollexfen, writing in the previous century, had regarded the eastern trade as based on the 'worst foundation of all Trades', because it adversely affected the home industries, yet still argued that he was not against the re-exportation of Indian goods to European markets. In other words, he was not against the trade altogether, but against the home consumption of Indian goods,¹³³ while Defoe had also stopped short of prohibiting the trade altogether.

The connection between trade and Britain's security would continue to be the theme for the ensuing years; commentators recognised that Britain's ability to protect herself depended on her ability to finance war. This in turn rested on the prosperity of her commerce — what continued to determine the course that Britain took to protect its trade were the actions or the perceived intentions of her European rivals. It would be widely argued in the literature published in the later 1760s and early 1770s, that France's increased involvement in Indian politics had led Britain to follow suit. Territorial control presented itself as the ultimate way of limiting the trade of other Europeans, but that in turn raised a whole set of additional problems.

¹³¹ See: Hont, 'The Rich Country-Poor Country Debate in Scottish Classical Political Economy', in *Wealth and Virtue: the Shaping of Political Economy in the Scottish Enlightenment*, ed. Hont et. al. (Cambridge: Cambridge University Press, 1983).

¹³² Postlethwayt, *Universal Dictionary*, I, p. 685.

¹³³ Pollexfen, *England and East-India Inconsistent*, pp. 15, 25.

Postlethwayt's remark that the East India trade was a wheel that moved many others, was possibly the one that the author of the *Reflections on the Present State of our East-India Affairs*, of 1764, had in mind when he quoted without attribution the line that the trade with India was the 'grand wheel of commerce, setting all others in motion'.¹³⁴ By this date, the status of the East India Company in Bengal had undergone a revolution. John Caillaud (1726–1812) who wrote a narrative of events that occurred in 1760 argued that their actions had placed British interests on a solid basis: 'the company is secure, the nabob's government established and in a fair way of becoming great and flourishing'.¹³⁵ This was a positive assessment that was not shared by the author of *Reflections on the Present State*; he first proceeded to establish the importance of the trade with the East Indies, before he turned his attention to the Company's changed state of affairs.

Many of the arguments that were put forward by the author of the *Reflections* were similar to the ones Davenant had advanced at the end of the preceding century. He argued that the domestic consumption of East Indian goods could not be prevented because they were widely used in Europe; consequently, even if Britain stopped trading in those goods, demand for them would still exist and their prohibition would only lead to them being purchased from other countries (France and Holland) at a higher price. Abandoning the trade, he suggested, would only lead to it being appropriated by her rival, France, which would be 'destructive of the power, safety, and independence of this kingdom'.¹³⁶

Having established the importance of the trade to the kingdom, he then turned his attention to the way in which it was conducted. The author considered the recent revolution in Company affairs as 'destructive of the very being and existence of that trade, the importance of which was the subject of my introduction, and to the root of which the ax[e] seems to be already laid'.¹³⁷ In his opinion, political authority had made their commerce with Bengal less profitable. The interest of Britain, he continued, required the procurement of Indian goods at the lowest possible

¹³⁴ Anon., *Reflections on the Present State*, p. 2.

¹³⁵ [John Caillaud], *A Narrative of What Happened in Bengal in the Year 1760* (n. d.), BL, OIOC Tract Vol. 220, p. 49.

¹³⁶ Anon., *Reflections on the Present State*, pp. 8, 10.

¹³⁷ *Ibid.*, p. 22.

prices; the way to achieve this, he argued, was 'if they could carry on their trade in India by pedlars living in huts and hovels, on the cheapest fare, than by mighty governors, dwelling in palaces' — the lower their costs in India, the cheaper the Company could sell the goods in Europe.¹³⁸

He did not however advocate that the Company actually forgo their forts and start living in hovels. Rather he argued that the Company faced threats on the sub-continent from other Europeans and Indians and from an alliance of Europeans and Indians. In the end, he was accepting the necessity of political control in Asia, and was arguing for the Company to be made equal to the task. He contended that it was a general and just maxim that 'the ruin of all empires and governments hath arisen from an enlargement of the superstructure beyond what the basis could bear'.¹³⁹ The preservation of the Company, which he believed remained the means by which Britain could best profit from the East India trade, required that it was supported in proportion 'to its demands and natural wants'. That is, that the power and privilege of the Company had to be expanded in proportion to its increased responsibilities, but without destroying 'the spirit of its original institution'.¹⁴⁰

The directors did in fact attempt to obtain support from the government to reform all aspects of their affairs after news of the events that had transpired in Bengal reached London. However the British government did not desire to be 'drawn into new areas of imperial and legislative activity or responsibility. The problems of empire were held to be, initially at least, the problems of the East India Company'.¹⁴¹ It was only in 1772, when many commentators thought that the acquisitions could be lost, that North's government seriously set about reforming the Company's affairs. Yet, despite the government's reluctance to engage with the practical and ideological problems bequeathed by the alteration of the Company's affairs, other informed observers did turn their attention to them and debate the course that Britain needed to take — that is, they debated how Bengal should be governed, but they did not question the desirability of a territorial empire itself.

¹³⁸ Ibid., p. 23.

¹³⁹ Ibid., pp. 27, 26.

¹⁴⁰ Ibid., pp. 74, 55.

¹⁴¹ Bowen, *Revenue*, p. 48.

V.

The argument advanced by the author of the *Reflections of the Present State* demonstrates the full range of issues that the debate about Britain's relationship with Bengal involved: the comparative benefits and costs of free trade with Asia, as compared to conducting that trade by means of an exclusive trading Company, and the viability of a successful commercial venture, while the vehicle of that venture also enjoyed political power. It had been argued in the *Reflections of the Present State*, that the Company remained the best way of conducting trade with the East Indies — rather than opening the trade up to all who wished to participate; this was also the opinion of Postlethwayt.¹⁴²

By this date, the course of this particular debate was a well worn one. Critics of the Company had long argued that trading companies were the '*Bane of all fair Commerce*', arguing that the Company's practise of establishing forts was not only expensive, but also a cause of provocation between the British and the Indians:

*They [the Company] keep Forts abroad at great Expence, to colour the Necessity of such Monopolies, and to oppress and rob the Natives there with security; for 'tis a Jest to imagine they can any Ways conduce to fair Trade: Every Nation in the world that has anything to buy or sell, will see their Account in doing so [...]; Forts [...] will only provoke and make them [the Indians] Enemies.*¹⁴³

In 1754, another publicist also argued that the trade with India should be made free, stating that each of the Company's forts should be made into separate colonies, with governors appointed by the British Crown, and an elective assembly. These potential Indian colonies, he contended would be as 'rich' as '*Virginia, or Jamaica*' and would be able not only to 'defray their own charges, but also give assistance to paying off the National Debt'.¹⁴⁴

¹⁴² Anon., *Reflections on the Present State*, p. 74; Postlethwayt, *Universal Dictionary*, p. 683. See also Anon., *Some Considerations* p. 7; A. Z., *Some Thoughts Relating to Trade in General, and the East India Trade in Particular* (London, 1754), BL, OIOC Tract Vol. 487, p. 30.

¹⁴³ Anon., *A Collection of Papers Relating to the East-India Trade: Wherein are Shewn the Disadvantages to a Nation, by Consigning any Trade to a Corporation with a Joint-Stock* (London, 1730), BL, OIOC Tract Vol. 83, pp. ix-x. By contrast, Davenant had earlier argued: 'Forts, and Castles, with good Garrisons, are there indispensably necessary [...] they are a Safety to Our People, from any Insults of the Natives, And a Refuge, upon any Disorder, Revolution, or other Emergency in the Mogul's State and Empire' (*Essay on the East-India Trade*, pp. 50-51).

¹⁴⁴ Anon., *A Collection of Letters Relating to the East India Company and to a Free Trade* (London, 1754), BL, OIOC Tract Vol. 83, p. 24.



During the 1750s and 1760s, the anti-monopolist case was argued in parliament by William Beckford (*bap.* 1709, *d.* 1770), but this strain of argument did not have influence on the policy that was developed by the government.¹⁴⁵ Rather, opinion, after the servants in Bengal had made the decision that the commercial interest of Britain was best served by territorial control, was divided between those that wanted the responsibility of government to be separated from the Company and those that believed that reform of the Company would secure the territories to Britain. The issue that was debated was whether the Company was capable of successfully merging the responsibilities of ruler and merchant without destroying the foundations of Britain's trade with Bengal. Clive had written to William Pitt early in 1759 arguing that they could not trust the nawab of Bengal and his son to keep their agreement with the British and recommended that they maintain a force of 2000 troops to 'secure us from any apprehension [...]; and in case of their daring to be troublesome, enable the Company to take the sovereignty upon themselves'.¹⁴⁶

This could be seen as evidence of a change in Britain's attitudes towards her overseas interests, especially in light of the peace making that followed the Seven Years War. Britain's decision to retain Canada over the more commercially advantageous Guadeloupe could be presented as a shift from 'commerce to "imperialism"'. Yet, as Peter Miller has stressed, what defined 'British colonial policy' was security — British leaders took the decision they felt would best preserve their existing commercial interests rather than seeking additional responsibility.¹⁴⁷ Discussions regarding Britain's connection with and responsibility towards Bengal subsequent to the acquisition of *diwani* were overshadowed, however, by questions regarding Britain's financial health and property rights. The decision to end the war, and the peace that followed was influenced by concerns relating to Britain's finances — there existed a strain of contemporary opinion that argued that France was deliberately continuing the war in order to bankrupt Britain.¹⁴⁸ The fear of national insolvency continued after the war, especially as its cost had been high. The danger that the growth of public credit presented to the security of the state was graphically described by Hume who argued that it would ultimately destroy the nation.

¹⁴⁵ Bowen, *Revenue*, pp. 19–20.

¹⁴⁶ 'Clive to Pitt' (7 Jan 1759), in Sir George Forrest, *The Life of Lord Clive*, 2 vols (London: Cassell, 1918), II, pp. 412–13.

¹⁴⁷ Peter N. Miller, *Defining the Common Good: Empire, Religion and Philosophy in Eighteenth-Century Britain* (Cambridge: Cambridge University Press, 1994), pp. 172–73.

¹⁴⁸ Miller, *Defining*, pp. 174–75.

That was, of course, unless the nation destroyed public credit.¹⁴⁹ Hume rejected the necessity of a commercial empire — the principles of which had been developed, for instance, by Davenant.¹⁵⁰ However, Hume's argument expounds the connections that contemporaries continued to draw between the security of the state and the state's ability to wage war — and, in relation to this, its ability to raise finance and the success of its commerce. Hume pointed out that in the modern era, wars were financed by the means of public credit, while the ancients had relied upon treasure they had stored in times of peace. The problem with the modern system was that its abuse led to inescapable, devastating, consequences: 'if the abuses of treasure be dangerous, either by engaging the state in rash enterprises, or making it neglect military discipline, in confidence of its riches; the abuses of mortgaging are more certain and inevitable; poverty, impotence, and subjection to foreign powers'.¹⁵¹ Hume went on to describe how he believed that the growth of the national debt would inevitably lead to foreign conquest. He argued that a state would eventually reach a point where it could no longer raise any further funds, but the need to protect the state's interests, that is, its wealth and commerce, would remain: 'we must still suppose great commerce and opulence to remain, even after every fund is mortgaged; these riches must be defended by proportional power; and whence is the public to derive the revenue which supports it?' The answer to this question was complicated by the fact that by the time that a country reached this point, it would have undergone a social transformation; it would be the public creditors that would now enjoy the powers of office, displacing the nobility who were the bulwark against despotism.¹⁵²

The only option that was open to the public was to tax the bearers of government bonds. Yet, the impact of such a measure on the nobility would be such as to confer absolute power on the government. This, in turn, would enable the government to appropriate money from the state's creditors — leading to the loss of credit altogether — as well as the income of the king. Ultimately, a policy of this kind would lead to a 'degree of despotism' that even Asia had not

¹⁴⁹ Hume, 'Of Public Credit', in *Essays*, pp. 360–61. See on this Istvan Hont, 'The Rhapsody of Public Debt: David Hume and Voluntary State Bankruptcy', in *Political Discourse in Early Modern Britain*.

¹⁵⁰ See: Robertson, 'Universal Monarchy', pp. 370–71.

¹⁵¹ Hume, 'Of Public Credit', in *Essays*, pp. 349–51.

¹⁵² *Ibid.*, pp. 357–59.

seen. On the other hand, if the prince remained limited by the 'national councils' — in which the public creditors enjoyed prominence — the creditors would never agree to part with the sums of money necessary to defend the government.¹⁵³ This latter course was the one that Hume argued could reasonably be predicted for Britain. Hume's solution for Britain, when faced with the prospect of war, and an inability to raise further taxes, was 'voluntary bankruptcy'; this was what Hume termed the '*natural death* of public credit'. This however was an option that was more likely to be taken by an absolute ruler than a popular government; under the latter regime, the political influence of the public creditors would prevent any state declaration of bankruptcy. Consequently, in popular governments, the outcome was likely to be the '*violent death* of our public credit'; that is, the inability to raise funds necessary to defend the country, leading to the country's conquest.¹⁵⁴ It was this fact that gave absolute monarchies an advantage over free and moderate governments.¹⁵⁵

The point of Hume's argument was to show that in order to preserve Britain's independence — to cancel the advantage enjoyed by universal monarchies — Britain should follow the example of absolute governments and cancel the debt.¹⁵⁶ He argued that France had been prevented from establishing a universal monarchy by a coalition of European states that had been maintained by Britain. The future growth of the national debt, and Britain's inability to raise any further funds to finance wars necessary to maintain the balance of power in Europe, may lead to a situation where 'our children, weary of the struggle, and fettered with incumbrances, may sit down secure, and see their neighbours oppressed and conquered; till, at last, they themselves and their creditors lie both at the mercy of the conqueror'.¹⁵⁷ The solution that Hume put forward may not have been embraced by all shades of political opinion and he himself demonstrated the failure of

¹⁵³ Ibid., p. 359.

¹⁵⁴ Ibid., pp. 363–65.

¹⁵⁵ Hont, 'Rhapsody', p. 324. See also: Michael Sonenscher, 'The Nation's Debt and the Birth of the Modern Republic: the French Fiscal Deficit and the Politics of the Revolution of 1789 (Part I)', *History of Political Thought*, 18, 1 (1997), 64–103 (pp. 81–84).

¹⁵⁶ See: Robertson, 'Universal Monarchy', pp. 354–55.

¹⁵⁷ Hume, 'Of Public Credit', *Essays*, p. 365. Hont, 'Rhapsody', pp. 325–26, 329–330; on the closeness of Hume's solution of 'natural death' to Bolingbroke's 'patriotic bankruptcy', see: Hont, 'Rhapsody', p. 334. Cf. Montesquieu who argued that a state (Britain) that borrowed from its subjects gave them a reason to defend their country's liberty — that is, to preserve it from external conquests. See: Charles-Louis de Secondat, Baron de Montesquieu, *The Spirit of the Laws*, ed. Anne Cohler, Basia C. Miller and Harold S. Stone (Cambridge: Cambridge University Press, 1989; repr. 2000), p. 327.

Britain's commercial policy to promote Britain's true interests,¹⁵⁸ but his analysis showed the important relationship that existed between war, public credit and the country's independence. The growth of the national debt after the Seven Years War made the prospect of financial collapse very real. In this context, the acquisition of the territorial revenues of Bengal could only have been welcomed by the British government.¹⁵⁹

VI.

In light of Britain's financial difficulties, it is not surprising that the acquisitions drew initial controversy regarding the mutual rights of the East India Company and government to its revenues rather than their mutual responsibilities towards Bengal or its place in Britain's empire. In Clive's letter to Pitt of 1759, he had argued that the wealth of Bengal could potentially be 'appropriated in part as a fund towards diminishing the heavy load of debt under which we at present labour'.¹⁶⁰ In the same letter Clive had also urged the British government to take steps to 'secure' the 'acquisition', rather than leaving the responsibility to the Company; Clive believed that 'so large a sovereignty may possibly be an object too extensive for a mercantile company'. He argued: 'I leave you to judge whether an income of yearly of upwards of two millions sterling, with the possession of three provinces abounding in the most valuable productions of nature and of art, be an object deserving the public attention'.¹⁶¹ Clive was of course not successful in securing the support of the government for his plan, but in 1767 Chatham would attempt to secure the government's rights to the revenue, which would initiate a controversy regarding the sanctity of property rights.

The more comprehensive threat to property rights that some individuals felt were at stake by Chatham's actions in 1767, even led an opponent of the Company, who identified himself as an 'untainted Englishman', to defend the Company's rights to its possessions in Bengal — his

¹⁵⁸ See: Robertson, 'Universal Monarchy', p. 369.

¹⁵⁹ It was not, however, welcomed by Hume, who argued: 'I do not ask how the public is to exert such a prodigious power as it has maintained during our late wars; where we have so much exceeded, not only our natural strength, but even that of the greatest empires. This extravagance is the abuse complained of, as the source of all dangers, to which we are at present exposed', 'Of Public Credit', in *Essays*, p. 359; see also: Robertson, 'Universal Monarchy', pp. 370–73. For British views on credit in the eighteenth century see: Julian Hoppit, 'Attitudes to Credit in Britain 1680–1790', *The Historical Journal*, 33, 2, (1990), 305–322.

¹⁶⁰ 'Clive to Pitt', in Forrest, *Life of Lord Clive*, II, p. 414.

¹⁶¹ *Ibid.*, p. 413.

pseudonym suggested an identification between Englishness and the security of property.¹⁶² A supporter of the Company in a similar vein observed that after squandering the 'public treasure' the government was casting a 'lustful eye' on the Company's recent acquisitions, but he hoped that in a country of liberty like Britain, the Company's rights were not in any serious danger of violation.¹⁶³ In the opinion of informed observers, the government's actions were additionally dangerous because, in their view, the government was attempting to take a share of the revenues without securing the possessions — that is, the government did not appear to be developing any long term imperial policy. During the debates in parliament in 1769, when the 1767 agreement between the Company and government was being renegotiated, George Grenville (1712-1770) argued: 'I should have wished, before we had tried to lay a rigorous hand upon the money, we had tried to secure the country, from whence the money is come'. Grenville wanted British policy makers to turn their attention to developing a plan of government for Bengal which would secure the possessions to Britain for the long term. Isaac Barré (1726-1802) also argued that in 1767 he had wanted to help 'those who were for pointing out other arrangements, giving new, and necessary powers in order to carry on these vast, extensive objects', but this had not come to pass, and he warned that 'for want of regulating this object, I apprehend that you will some time or other lose it'.¹⁶⁴

The need to construct a system (or to modify the existing one) became the concern of individuals who made East India affairs a matter of their attention. During the course of the same debates mentioned above, Clive again provided the government of the day with advice that was not immediately heeded. This time Clive did not call for the British government to take control of the acquisitions, but rather called for urgent reforms of the Company's organisation in London and abroad. Without reform, he argued, the immense riches of Bengal could not be realised by the Company or the country.¹⁶⁵ Sir George Colebrooke (1729–1809),¹⁶⁶ in turn, stressed the

¹⁶² See: Untainted Englishman, *An Address to the Public, Concerning the Business Between the Government and the East-India Company Proving that the Government has no Just Demand on the Company, Either for Protection Granted, or for Territorial Acquisitions* (London, 1767), BL, OIOC Tract vol. 133, pp. 4–7.

¹⁶³ Anon., *A Letter to the Proprietors of India Stock Relative to the Critical Situation of their Affairs* (London, 1767), BL, OIOC Tract Vol. 133, p. 1.

¹⁶⁴ BL, Eg. MSS 218, pp. 114, 116.

¹⁶⁵ *Ibid.*, pp. 148–156.

financial importance of the acquisitions arguing: 'you cannot be sovereigns in one part and merchants in another. All India should be combined in one system. There is no other province but Bengal worth preserving'.¹⁶⁷ It was similarly argued in the *True Alarm* that Bengal had the potential to be the 'most [...] valuable acquisition'.¹⁶⁸ Its author, however — by contrast to Colebrooke — was a critic of the Company, and believed that the British government should take over the task of administering the territories. Significantly, by this stage, publicists were no longer consumed by the fear that the East India trade was 'draining' Britain of its wealth — it was no longer applicable. Instead, one pamphleteer calculated that the Company paid over one million pounds annually to 'the interests of the public debts of England' and consequently, it was clear that 'England and India must stand or fall together'.¹⁶⁹ While, it was argued in the *Present State of the British Interest in India* that the loss of Bengal would result in 'national bankruptcy', which was merely the first calamity that would afflict Britain; following on from it would be 'loss of future credit, of trade and navigation, and consequently of naval power and defence'.¹⁷⁰ The prosperity of Britain now lay in ensuring that regulations were put in place that would prevent Company servants from squandering the wealth of Bengal by misgoverning it. All the above observers of Indian affairs shared the belief that it was Britain (rather than the Company) that had the greatest to lose by the loss of India — therefore it should take the greatest interest in preserving the territories.

Both Clive and Colebrooke were acutely aware of the extent to which the Company's responsibilities had changed, and the ideological problems that this posed. Clive argued that 'fortune' had taken the Company 'in her hand' and had 'raised her to that state of grandeur'. While Colebrooke argued that 'No other Country ever had such possessions as England has now

¹⁶⁶ (1729–1809), a director of the East India Company between 1767–1770, 1772. He was deputy chairman of the Company in 1768, and the chairman in 1769, 1770, 1772. MP for Arundel (1754–74), see: Parker, 'Directors', pp. 61–63.

¹⁶⁷ BL, Eg. MSS 218, pp. 133–34.

¹⁶⁸ Anon., *The True Alarm* (London, 1770), p. 2.

¹⁶⁹ Anon., *A Plan for the Government of the Provinces of Bengal Addressed to the Directors of the East India Company* (London, 1772), BL, OIOC Tract vol. 381, p. 1. He went on to argue that if the sum he had quoted was 'withdrawn from the creditors of the public, the public must either become bankrupt, or such a load of taxes be laid on industry, as could not fail to crush it entirely; and either of these calamities, in a nation intoxicated with prosperity, might be attended with a revolution in government itself' (p. 1).

¹⁷⁰ Anon., *The Present State of the British Interest in India with a Plan for Establishing a Regular System in that Country* (London, 1773), BL, OIOC Tract vol. 215, pp.11–13.

in the East and West Indies'.¹⁷¹ The idea of the British Empire, which had developed as free, maritime and commercial, had enabled it to be distinguished from past territorial empires (specifically the Roman one) that had ultimately been the cause of each of their mother countries' destruction. This was a fact that contemporary observers were aware of; Colebrooke, for instance, argued that 'the Romans came to a dissolution by the extent of their Empire'.¹⁷² But the plan of reform that he suggested, as well as the many others that were published between 1769 and 1773, were calculated towards securing for Britain the acquisitions without leading to her destruction — 'Go a step further give permanency to these valuable possessions', said Colebrooke, by integrating India into one imperial system.¹⁷³ Such writers suggested, as chapter four will show, that it was possible for Britain to escape the fate of Rome — that is, preserve the British constitution and hold a territorial empire in the east — if they managed to construct an appropriate system of rule.¹⁷⁴

The arguments that individuals ranging from Colebrooke to Barré put forward demonstrated the degree of acceptance that territorial empire in India enjoyed in Britain. Edmund Burke, who would later become the Company's most vocal critic, argued in a speech delivered immediately after Clive's in February 1769: 'He [Clive] has laid open such a world of commerce, he has laid open so valuable an Empire both from our present possessions and future operations, he laid open such additional manufactures, and revenue [...]. The orient sun never laid more glorious expectations before us'. Burke went on to state that Britain had been 'plunged into Empire in the east' and should 'abide by the consequences'.¹⁷⁵ Smith also argued that 'as this great dominion is acquired, it must be maintained; for the politics, not only of Asia, but even of Europe are so interwoven with the affairs of our commerce there, that it will be absolutely impossible to return

¹⁷¹ BL, Eg. MSS 218, pp. 149, 133.

¹⁷² Ibid., p. 133.

¹⁷³ Ibid. Clive argued, in a letter to the directors written in September 1765, that the Company's government of Bengal had to be freed from the grasps of 'luxury, corruption, avarice, rapacity', or they would destroy the Company: 'for we cannot expect the same causes which have ruined the greatest kingdoms, should have different effects on such a state as ours' (*FWIHC*, IV, pp. 339–40).

¹⁷⁴ Hume, 'Of Refinement in the Arts', in *Essays*, p. 276, argued that the collapse of Rome was not the result of 'luxury and the arts' but an 'ill modelled government'.

¹⁷⁵ 'Speech on East India Settlement' (27 Feb 1769), in *The Writings and Speeches of Edmund Burke*, vol. II, *Party, Parliament, and the American Crisis*, ed. Paul Langford (Oxford: Clarendon Press, 1981), p. 220.

back to our former situation with any hopes of profit, or indeed security'.¹⁷⁶ The rationale that was presented for empire was necessity: the possessions in the east were necessary for the security of Britain; the preservation of Britain's finances required the protection of her commerce in India from the encroachments of France, which in turn required territorial control.

Fears regarding the growth of French power had influenced debate regarding British foreign policy in the first half of the eighteenth century. After the Seven Years War, individuals like Clive thought that France posed an especial threat to Britain's interests on the sub-continent. Clive argued that France had 'lost all sight of America...she will look for an equivalent...where can she find one but in the East Indies?'¹⁷⁷ By pointing out the threat that France posed to their interests, Clive hoped to galvanise the government into taking steps (in 1769) beyond renegotiating the Company's annual payment to the exchequer. The point at issue between individuals of opposing political beliefs, after the acquisition of *diwani*, was not whether territorial empire in India was suitable for Britain, but how it could be managed. This was a matter that came to the forefront of political debate as news of the Company's mismanagement of the territories began to circulate widely in British society.

A range of political commentators had shown the extent to which the acquisitions were necessary for the security of Britain. What mattered to such individuals was how the Company's servants abroad could be controlled; how the detrimental effects of the factionalism in the Company in London could be brought to an end, and how the Company could exercise the powers of sovereign and merchant simultaneously — if at all — without destroying Bengal. Immediately after the acquisition of *diwani*, Britain had been led to expect great monetary advantage from it; instead, news of the Company's misgovernment of Bengal especially during the 1769–70 famine and then the Company's financial crisis of 1772, had been responsible for distorting such complacent expectations.

¹⁷⁶ [Smith], *Observations*, p. 5.

¹⁷⁷ BL, Eg. MSS 218, p. 157. In a letter to North in November 1772, Clive similarly argued: 'if France has given over all thought of America, she must have some other object in view, compatible with the dignity, and ambition of so powerful a Monarchy; and that can be no other than conquest in the East Indies' (OIOC, MSS Eur. E12, p. 203). In addition, Colebrooke also observed 'it is impossible to conceive, that the power of France will see this power [East India trade] remaining in the hands of the English, and not desire to wrest it from them', BL, Eg. MSS 218, p. 133.

Conclusion

The preservation of Britain's interests on the sub-continent was a matter of increasing national concern as the eighteenth century advanced. The truth of this was amply demonstrated in the third quarter of the century, when North's government, faced with the very real prospect of the loss of Bengal, took steps to preserve and reform the Company. India was financially and commercially important to Britain — the continuance of her presence in that part of the world was regarded as central to her continued security and independence. This is not to deny the greater importance that Britain's leaders attached to the American colonies; for much of the eighteenth century, the colonies in America were regarded as Britain's most prized commercial asset. In the first half of the eighteenth century, Defoe and Forman had pointed to the more general importance of Britain's global commercial interests for her security, rather than singling out India, during the Seven Years War, as Bowen has argued, 'perceptions of the value and potential of the North American colonies altered quite markedly'. He does not thereby suggest that the colonies were no longer regarded as an important component of Britain's wealth, but rather that the acquisitions in India also began to play an important consideration in 'national financial and commercial considerations'.¹⁷⁸ It was this fact that made territorial empire in the east acceptable to a range of political opinion in Britain.

A territorial empire had been regarded as incompatible with the liberties of the British political system. Furthermore, the necessity of such an empire had been undermined by the connection that had been established between commerce and the power of the state. As Davenant had reflected at the end of the seventeenth century, a successful commercial policy gave a country a form of dominion over others without the need of territorial aggrandisement. The success enjoyed by European countries that had developed an international trading policy led Defoe to argue that commercial countries surpassed the fighting nations in terms of their strength. What

¹⁷⁸ Bowen, 'British Conceptions', p. 9. See also: Anon., *The Importance of the British Dominion in India Compared with that in America* (London, 1770), which argued that in every respect, India was a more valuable acquisition than America. Cf. Thomas Mortimer, *The Elements of Commerce, Politics and Finance in Three Treatises on Those Important Subjects* (1780), quoted in Bowen, *Revenue*, p. 27.

was decisive in international relations was no longer the land mass and army that a state controlled, but the trade and sea power that it commanded. All these arguments were brought together in Montesquieu's analysis of Britain in his *Spirit of the Laws*; he suggested that Britain's dominance and liberty were based upon its system of public credit, commerce and navy. He argued that Britain, realising that 'overseas conquests would weaken it', had sought to establish colonies for the purposes of trade rather than domination. He stated:

The preservation of its liberty would require it to have neither strongholds, nor fortresses nor land armies, it would need an army on the sea to protect itself from invasions; and its navy would be superior to that of all other powers, which needing to employ their finances for a land war, would no longer have enough for a sea war.¹⁷⁹

This description could not be applied to the Company's settlements even at the time that Montesquieu wrote. The East India Company's trade on the sub-continent did rely on force and the existence of fortified settlements. Such measures were justified as necessary for the preservation of the Company's trade.¹⁸⁰ This was qualitatively different from the political power that the Company acquired in 1765, but nevertheless the reasoning behind the steps that were taken at this later date was the same: security. The analysis that Smith provided of the reasons why the Company acquired power, was shared by other observers of East India affairs. He argued that it was the actions of the French, who, in conjunction with the Indian powers, had conspired to oust them from the sub-continent, which had led the British Company to take control: 'it was not ambition that first tempted the Company to embark in these wars: necessity led the way; and conquest has now brought them to the choice either of dominion or expulsion'.¹⁸¹

The perception that territorial control would make the East India trade more secure from actual and imagined Mughal and French threats, made the idea of territorial responsibility an acceptable one.¹⁸² Voices of dissent were heard at various points during parliamentary debates on

¹⁷⁹ Montesquieu, *Spirit*, pp. 327–29.

¹⁸⁰ Davenant, pp. 50–51.

¹⁸¹ [Smith], *Observations*, p. 6. See also: '[Clive] to North' (24 Nov 1772), where it was argued that 'it was not so much as choice as necessity that drove us progressively into the possessions we at present enjoy' (OIOC, MSS Eur. E12, p. 176).

¹⁸² It was argued in [Anon.], *True Alarm*, pp. 167–68, that the loss of Bengal would have enormous financial implications for Britain, as not only would she lose a source of wealth, but it would be taken over by the French and Britain would be forced to buy Indian goods from her

Company affairs at this time;¹⁸³ yet more usually, controversy regarding empire in the east was conducted less in terms of whether it should be continued or abandoned and more in terms of 'the manner and degree' in which Bengal and Bihar should become a part of the British Empire.¹⁸⁴ That is, the problem of how the responsibilities of the Company and the British government towards the acquisitions ought to be exercised became a major issue around this time. Would the Company continue to be the vehicle by which the territories were administered? Could commercial and governmental responsibilities be successfully combined in one body? Publicists debated the principles on which the acquisitions could be governed and turned their attention to stemming the 'drain' of wealth from Bengal — this was, it need hardly be stressed, in stark contrast to the 'drain' of treasure from Europe that had preoccupied Defoe.

Yet, whether the acquisitions in India constituted a component of the 'British Empire', on the other hand, was by no means clear. Armitage's study has shown that by the 1740s the conception of the British Empire as 'Protestant, commercial, maritime and Free' had become a prevalent one. In this scheme of things, the British Empire consisted of the Atlantic community and not the East Indies.¹⁸⁵ These distinguishing features of the British Empire were no longer applicable to the whole extent of Britain's territories after the Seven Years War and the acquisition of *diwani*.¹⁸⁶ However, contemporaries did not always speak of a 'British Empire' in the sense of a single entity. Some observers made a distinction between empire in India and an empire of the Atlantic community.¹⁸⁷ Arthur Young, writing in 1772, formulated a vision of the

rival. Also, in the *St. James's Chronicle* (28 May 1772), it was observed: 'a greater Object [Bengal] never came into Competition between the two Nations. Whichever remains in the settled Possession of it, will probably be the Arbiter of the other's Fate, as so great a Weight must certainly give a decisive Turn into whichever Scale it shall fall', quoted in Osborn, 'India, Parliament', p. 121.

¹⁸³ See, for instance, the thoughts of Sir George Saville, in *Parliamentary History of England from the Earliest Period to the year 1803*, vol. 17, 1771–1774 (London: C. Hansard, 1813), p. 464. It was observed in: Anon., *The Origin and Cause of the Continuance of the Disorders in our East India Affairs, and the Means of Restoring them* (London, 1772), p. 1: 'That till we return to our original principles, the existence of the company, and fate of the trade to this nation, is in danger of being annihilated'. Original principles here meant pre-1756 ones. In addition, see: Marshall, *Making and Unmaking*, p. 198.

¹⁸⁴ Marshall, 'Empire and Authority', pp. 113–14.

¹⁸⁵ Armitage, *Ideological Origins*, p. 173.

¹⁸⁶ See also Marshall, *Making and Unmaking*, p. 117, who argues that after the Seven Years War, differing concepts of empire drove Britain and America apart.

¹⁸⁷ Bowen, 'British Conceptions', p. 6.

British Empire as 'one nation, united under one sovereign, speaking the same language and enjoying the same liberty, but living in different parts of the world'.¹⁸⁸

Those individuals, however, who recognised the Indian acquisitions as central to the security of Britain, such as Thomas Pownall, acknowledged it as an important component of the British Empire:

People now at last begin to view those Indian affairs, not simply as beneficial appendages connected to the Empire; but also from the commerce of that country being indissolubly interwoven with our whole system of commerce [...] the downfall of his Indian part of our system [...] must necessarily involve with its fall, the whole edifice of the British empire.¹⁸⁹

Such a view would have been endorsed, for instance, by Colebrooke, Clive and the author of the *True Alarm*. These writers clearly saw the point of empire in the east, like empire in the west, as aiding the security of Britain by providing it with wealth by trade — simply by maintaining British presence on the sub-continent, Britain could ensure that its main rival, France, did not access this rich resource.

Further evidence of the fact that Bengal was seen by some as part of the British Empire is demonstrated by Alexander Dow, who dedicated his *History of Hindostan* (which contained his plan for the reform of the Company's rule of Bengal) to the British crown because a large part of India, he argued, 'is now in a manner comprehended within the circle of the British empire, there is a propriety of addressing the history of that country to the sovereign'.¹⁹⁰ Other East Indian observers identified the acquisitions as part of the British Empire in order to justify government intervention into the Company's affairs; one publicist argued:

Bengal plants and sows, she manufactures and trades, not for herself but for Britain: so that Bengal being as effectually and intimately annexed and united to Britain as if it was a part of herself, the dictates of sound policy call upon Britain to attend as minutely to the interest and concerns of that country as to her own.¹⁹¹

¹⁸⁸ Arthur Young, *Political Essays Concerning the Present State of the British Empire* (London, 1772), p. 1.

¹⁸⁹ Thomas Pownall, *The Right, Interest, and Duty of Government as Concerned in the Affairs of the East Indies* (London, 1773), p. 4

¹⁹⁰ Alexander Dow, 'Dedication', in *The History of Hindostan: from the Death of Akbar to the Settlement of the Empire under Aurungzebe: to which are Prefixed I. A Dissertation on the Origin and Nature of Despotism in Hindostan II. An Enquiry into the State of Bengal; with a Plan for Restoring that Kingdom to its Former Prosperity and Splendour*, 3 vols (London, 1770–72; repr. New Delhi: Today & Tomorrow Press, 1973), I, [no pagination].

¹⁹¹ [Anon.], *Importance of the British Dominion*, p. 59–60.

While William Knox argued that the inhabitants of Bengal, as those of the American colonies, were British subjects, and parliament had full right to tax them.¹⁹² William Bolts, a figure whose work was widely circulated in Britain in 1772, stressed Bengal's status as part of the British Empire in order to demand equal treatment: 'In England, and other parts of the British dominion, while so great a stir has been made about the liberty of the subject and security of private property, it is amazing that so little attention has been paid to the situation of British subjects in Bengal'.¹⁹³

Jeremy Osborne has argued that British public opinion in the 1770s regarded the acquisition of empire in the east with deep anxiety. The public debate, which was conducted for instance in the contemporary newspapers and periodicals, revealed that Britons were concerned with the impact the territories would have on British social and political life and entertained doubts regarding the benefits that would accrue to Britain from a territorial empire. Osborne further argues, however, that by the turn of the decade, Britons had become confident empire builders — that British attitudes towards empire in India had been wholly transformed.¹⁹⁴ It is the argument of this dissertation that while doubts were indeed voiced in the 1770s regarding the suitability of a landed empire — as Osborne has illustrated — contemporary thinkers and leaders nonetheless did not reject it and call for its reversal. The response of informed observers to the revolution in the Company's affairs in Bengal was influenced by conceptions of Britain's interest and welfare. Their belief that Britain's greater good was served by the Company's altered status on the sub-continent led them to accept the change.

Since 1600, the East India Company had been the vehicle by which trade had been conducted in Asia. The acquisition of *diwani* and the Company's servants' subsequent mismanagement of the territories, called into question the continued capacity of the Company to manage the changed

¹⁹² William Knox, *The Present State of the Nation: Particularly with Respect to its Trade, Finances etc., Addressed to the King and both Houses of Parliament*, 4th edn (Dublin: 1769), p. 47. On the importance of the idea of parliamentary sovereignty for the government of the British Empire, see: Marshall, *Making and Unmaking*, pp. 166–67.

¹⁹³ William Bolts, *Considerations on India Affairs Particularly respecting the Present State of Bengal Dependencies with a Map of those Countries Chiefly from Actual Surveys* (London 1772), in *The East India Company 1600–1858*, vol. III, ed. Patrick Tuck (London: Routledge, 1999), p. 147. Bolts' career is considered in chapter three below.

¹⁹⁴ Osborne, 'India, Parliament', pp. 3–6.

state of affairs. Successive British administrations between 1766 and 1772 were, however, unwilling to reconsider government policy towards the east — they were content to leave the Company in charge — but it was an issue that political theorists did engage with. The important point is that the debate that took place between the acquisition of the territorial revenues of Bengal and the passage of Lord North's Regulating Bill of 1773, was conducted not in terms of the suitability of a landed empire but under what arrangement it could be made beneficial for Britain. Nathaniel Smith argued in a manner that few could have disagreed with:

It might be better upon the whole [...], if we could return back to our commercial system; but that is impossible [...]. That insatiate desire after wealth and power, which possesses every civilised nation, will not allow us to retreat; we must preserve our consequence, or be trampled under foot.¹⁹⁵

Individuals that will figure in the pages that follow attempted to demonstrate the principles on which a territorial empire could be compatible with Britain without endangering its liberties, and how an imperial province could be managed without destroying its commercial value. Prior to that however, this dissertation firstly turns to consider the causes which facilitated the Company's rise to power, with reference to contemporary historiography.

¹⁹⁵ [Smith], *Observations*, p. 81. See also: Anon., 'Hints for a Political System for the Government of India', OIOC, MSS Eur. E12, p. 38, where it was argued that 'we cannot be less than we are, without ceasing to be at all'. This manuscript is part of a number of papers belonging to Clive which were collected by Philip Francis (G. R. Kaye and E. H. Johnston, *India Office Library Catalogue of European Manuscripts in European Languages*, vol. II, part II, *Minor Collections and Miscellaneous Manuscripts* (London, 1937), p. 245).

Chapter 2

The East India Company's Rise to Power

A critic of the East India Company remarked in 1773 that 'under the simple name of a Company, is a mighty republic'.¹ The directors of the Company would have objected to this characterisation, but the point that the Company was no longer simply a commercial enterprise could not be denied. Quite how this transformation came about is a matter of controversy amongst historians. The previous chapter set out the ideology of empire in India between 1690 and 1773, and demonstrated that Britain's connection with the Indian sub-continent was justified in terms of national security. It argued that the perception of what was necessary for the continued security of Britain had, by the late 1760s, grown to encompass territorial empire in the east. The aim of this chapter is to set out the broad debates in the historiography of the Company's acquisition of political authority in Bengal, as well as to consider the factors which facilitated the Company's rise. It will show that the aim of Company policy remained unchanging: the preservation of their trade — official and private. What altered was the degree of security that could be realistically demanded and achieved. Consequently, it was not simply ideas regarding empire in India that had shifted by 1765, but also the realities on the ground.

The well-known argument that the Company's involvement in local politics was the result of the collapse of the Mughal Empire, has come to be replaced by more sophisticated theories.² Relatively recent historians, such as Muzaffar Alam, have focused their attention on specific regions of the empire, and presented a more detailed analysis of the processes which led to the Mughal Emperor's loss of power over his provinces³ — provinces which became the successor states to the empire.⁴ C. A. Bayly has analysed more closely the specific challenges that eighteenth-century India faced, and pointed to the role of ideas regarding 'law' and 'rights',

¹ Anon., *A Plan for the Government of the Provinces of Bengal*, p. 381.

² For an example of the argument that explains the Company's rise to power in terms of the collapse of the Mughal Empire, see: H. H. Dodwell (ed.), *The Cambridge History of India*, vol. V, *British India 1497-1838* (Cambridge: Cambridge University Press, 1929).

³ Muzaffar Alam, *The Crisis of Empire in Mughal North India: Awadh and Punjab 1707-48* (Delhi: Oxford University Press, 1986).

⁴ Cf. Marshall, 'Introduction', in *The Eighteenth Century in Indian History: Evolution or Revolution*, ed. Marshall (Oxford: Oxford University Press, 2003), p. 10.

entertained by Company servants, in the establishment of the Company's regime.⁵ This chapter begins by considering the opposing theses regarding the 'collapse' of the Mughal Empire and the foundation of the Company's rule of Bengal in the eighteenth century. It then proceeds to evaluate the role of private trade and Anglo-French rivalry in the 'revolution' of Bengal's government.

It ends by considering how British perceptions of the Mughal Empire influenced the actions of the Company servants. It will be argued that the Company's attitudes towards the Mughals, as well as to the east generally, were an important factor in the formation of the servants' policy on the sub-continent. Opinions articulated from Sir Thomas Roe (1581–1644) to Clive, all reveal the disdain with which they regarded the Mughal Empire. While such attitudes in themselves do not presuppose a policy of conquest, they nevertheless helped shape the decisions that were taken. At the crux of the matter was the perception that the Mughals were untrustworthy. This perception caused the servants to feel that their private and Company interests could never be wholly secure as long as they depended on the good will of nawabs of Bengal. As a result, the servants sought privileges to protect their trading interests — the degree of protection that the servants could demand changed as the century advanced.

At the beginning of the century, the Company did not have the position of strength that it was to acquire by mid-century; consequently the preservation of its trading concerns had to depend (although not exclusively) upon the cooperation of local rulers. The Company's unease with this dependence was made apparent by the ways in which the Company constantly sought to minimise their obligations to local rulers, such as by obtaining the 1717 *farman*. This is not to suggest, by any means, that an intentional policy of conquest always existed amongst the directors in London, which was shelved until the right circumstances presented themselves — no such unanimity existed. Rather policies were often initiated by the servants in India, who at times were entrusted with a great deal of discretion.⁶ It was the servants in India who

⁵ C. A. Bayly, 'The British Military-Fiscal State and Indigenous Resistance India 1750–1820', in *An Imperial State at War: Britain from 1689–1815*, ed. L. Stone (London: Routledge, 1994).

⁶ For example, Robert Clive was given extensive powers in 1756 when Siraj ud-Daula drove the Company out of Calcutta, and in 1764 when Clive returned to Bengal after the settlement with Mir Jafar broke down. See: Philip Lawson, *The East India Company: a History* (Essex: Longman,

increasingly had the resources, and the will, to take the measures that *they* thought were needed to protect the Company's (as well as their own) assets. By 1765 the servants clearly felt that their, and the Company's, interests were best preserved by taking control. As one letter (30 September 1765) from the Council at Fort William stated on the occasion of the acquisition of *diwani*:

The time now approaches when we may be able to determine with some degree of certainty, whether our remaining as merchants, subjected to the jurisdiction, encroachments, and insults of the country government; or supporting your privileges and possessions by the sword are likely to prove most advantageous to the Company.⁷

This letter shows that the servants hoped that this settlement would resolve decisively whether being *de facto* ruler was better than being a simple merchant. They were clearly confident that in the long run their actions would be vindicated in the eyes of the directors at home.

I. The Mughal Empire and the Successor States

The story of the rise of the East India Company to power on the sub-continent used to be told in terms of chance and the decline of the Mughal Empire. It was argued that the internal dissolution of the empire provided the Company with the occasion to take political control — the servants had not actively sought it. Such an explanation was given by J. R. Seeley. He argued that the Company 'were induced, almost forced, in the anarchy caused by the fall of the Mogul Empire, to give themselves a military character and employ troops, and by means of these troops, they acquired territory'.⁸ This trajectory presents the Company servants as unwilling empire builders: the only other alternative, it suggests, was for the servants to sit back and watch the destruction of their trading concerns. Eighteenth-century Persian writers also shared the belief that the Mughal Empire was in decline, but Alam has argued that their assertions have to be questioned. He suggests that Mughal notables confounded private loss with national degeneration: 'the decline of their fortunes has been portrayed in these [Persian] chronicles as the decline and decay of the entire society'.⁹

Such caution has been more generally applied, and many contemporary historians have

1993), pp. 104–05.

⁷ *Readings in the Constitutional History of India 1757-1947*, ed. S. V. Desika Char (Delhi: Oxford University Press, 1983), p. 36.

⁸ J. R. Seeley, *The Expansion of England* (1883; London: Macmillan, 1909), p. 241.

⁹ Alam, *Crisis*, p. 10. Cf. Kumkum Chatterjee, *Merchants, Politics and Society in Early Modern India: Bihar 1733–1820* (Leiden: Brill, 1996), ch. VIII.

discredited theories such as Seeley's as an explanation for the Company's rise, but the theme has persisted, as Bayly points out, 'because it seems to offer an easy explanation for the speed with which the British were able to penetrate and dominate' India.¹⁰ Bayly argues, however, that 'it seems vacuous to characterise whole societies over centuries as gripped by decline and stagnation';¹¹ he has explained the establishment of the British Empire in India by analysing the social, political and economic changes that the Mughal Empire underwent through the course of the eighteenth century — changes that cannot wholly be characterised by the term 'decline'. In retrospect, it is easy to overlook the fact that in 1700, as Bayly demonstrates, the Mughal Empire was still a formidable power, and for much of the ensuing century, the *name* of the emperor continued to command respect, but after 1712, the ability of successive emperors to enforce their orders would be severely curtailed due to factional disputes at the centre.¹² Bayly's account of the crisis of the Mughal Empire in the eighteenth century moves away from the politics of the imperial court at Delhi, and looks instead at the wider developments taking place in the region.

By shifting the focus away from the centre, Bayly reveals the processes that were at work in eighteenth-century India, which led to the establishment of separate, autonomous kingdoms. He points out that the prosperity of the Mughal Empire led to the creation of new social groups who became increasingly important in local politics as the traditional Mughal nobility (*umara*) were transformed or dispersed. The Mughal elite used to exert significant economic influence, but they had derived their income from *jagirs* (assignments of revenue); this system came under strain and broke down, under the emperor Aurangzeb, due to the creation of a significant number of additional nobles — the consequence of territorial expansion.¹³ This development enabled the new social groups to grow in political importance; they included: revenue farmers, who collected the revenue of a given territory and made a cash payment to the ruler; Indian merchants, upon whom the local rulers and nobles began to rely for loans, and landholders (*zamindars*) who increased and consolidated their privileges, for instance by turning their temporary landholding

¹⁰ Bayly, *Indian Society and the Making of the British Empire* (Cambridge: Cambridge University Press, 1988; repr. 2001), pp. 43–44.

¹¹ Bayly, *Imperial Meridian: The British Empire and the World 1780–1830* (Harlow: Longman, 1989), p. 23.

¹² Bayly, *Indian Society*, p. 7.

¹³ See: Satish Chandra, 'Review of the Crisis of the Jagirdari System', in *The Mughal State 1526–1750*, ed. Muzaffar Alam and Sanjay Subrahmanyam (New Delhi: Oxford University Press, 1998).

rights into hereditary ones, and by obtaining and exercising fiscal rights.¹⁴ Bayly argues that these new social groups, which represented 'new wealth and social power in the provinces', and who had prospered under Mughal rule, 'revolted against or surreptitiously withdrew from under the Mughal umbrella' in the eighteenth century.¹⁵

Rulers of the provinces began to rely on these new social groups for upholding and supporting their regimes, but the rulers themselves also gained additional power by acquiring functions that the Mughal system had kept separate. This process was aided by the factional disputes at the centre and the decline in the emperor's power, which further enabled provinces such as Bengal, Awadh and Hyderabad to become independent — even though the new kingdoms continued to maintain a nominal allegiance to the Mughal emperor. These developments taken together demonstrate the ways in which the Mughal Empire was changing, yet at the same time, aspects of the empire's mode of government remained in use. In addition to the respect that continued to be paid to the name of the emperor, Bayly argues that 'Muslim rule continued to expand', that is, Mughal methods of administration continued to be utilised in the regimes established by the new regional rulers — even where the rulers did not happen to be Muslim. For instance, the Marathas by the 1760s made use of the Mughal system to collect the revenue in their territories.¹⁶ The full range of developments that took place in eighteenth-century India, like the establishment of the smaller kingdoms within or alongside the larger regional ones like Awadh, cannot be analysed here, but the point is that the transformation that the Mughal Empire was undergoing was too varied to be encapsulated under the terms of decline and anarchy.¹⁷

It is for this reason that relatively recent historians have focused their attention on the different provinces that made up the Mughal Empire, which emerged in the eighteenth century as virtually independent states.¹⁸ The in-depth studies of the successor states have shown that they

¹⁴ Bayly, *Indian Society*, pp. 9–10.

¹⁵ *Ibid.*, p. 11.

¹⁶ See: *ibid.*, pp. 16, 22.

¹⁷ See: *ibid.*, pp. 23–26.

¹⁸ See: Marshall, 'Introduction', in *Eighteenth Century in Indian*, p. 5. Examples of regional studies include: Alam, *Crisis*; Richard B. Barnett, *North India Between Empires: Awadh, the Mughals and the British 1720–1801* (London: University of California Press, 1980); Philip B. Calkins, 'The Formation of a Regionally Oriented Ruling Group in Bengal, 1700–1740', *Journal of Asian Studies*, 29, 4 (1970), 799–806; Karen Leonard, 'The Hyderabad Political System and its

enjoyed vastly different experiences from one another; for instance, the transition in Bengal, by comparison with the eastern Deccan, was relatively peaceful. In addition, the impact of the Maratha invasions has also been revised; their incursions into north and central India in this century caused severe damage to those areas, but trade did recover after the invasions were complete and a system of tribute was established.¹⁹ Such detailed regional studies undermine arguments such as Seeley's regarding the Company's rise to power — which are based on the premise that the Mughal Empire faced universal political and economic degeneration; however, the changes that did occur, such as the formation of new social groups, also greatly facilitated the Company's acquisition of territorial control.²⁰

Sushil Chaudhury has concentrated his attention on the condition of Bengal, and tried to demonstrate that the Company's acquisition of power cannot be explained with reference to a political crisis in Bengal, or a deterioration of economic conditions — both premises that he sets out to disprove. He contends that powerful factions may have opposed Siraj ud-Daula, but there also existed 'another group including merchant princes, *zamindars* and military aristocrats which supported the young nawab'. He has further argued forcefully that it was the 'very prosperity of Bengal, not its decline or weakness, which made its conquest so lucrative to the Europeans'.²¹ Philip Calkins has also shown that Bengal enjoyed a state of economic health; he has argued that in the years after the death of Aurangzeb, the traditional point from which the decline of the Empire has been dated, Bengal did not grow weaker, either economically or politically, but in both respects actually grew stronger.²² The decline in the emperor's control over Bengal's internal affairs, between 1700 and 1740, argues Calkins did not see 'a decline in administrative efficiency', but an 'orderly transformation'. He points out, as Bayly's study of the formation of Indian society has endorsed, that under the provincial ruler, Murshid Quli Khan, the political stability of Bengal came to depend upon the appeasement and cooperation of local commercial and landed groups. Quli Khan had been appointed by the emperor in 1700, but by the time of his

Participants', *Journal of Asian Studies*, 30, 3 (1971), 569–82. John R. McLane, *Land and Local Kingship in Eighteenth-Century Bengal* (Cambridge: Cambridge University Press, 1993).

¹⁹ Marshall, 'Introduction', in *Eighteenth Century in Indian*, pp. 11–12; On the Maratha invasions in Bengal see: Marshall, *Bengal*, pp. 70–71.

²⁰ Bayly, *Indian Society*, p. 44.

²¹ Sushil Chaudhury, *From Prosperity to Decline: Eighteenth Century Bengal* (New Delhi: Manohar Publishers, 1995), p. 328.

²² Calkins, 'Formation', p. 799.

death he had become (unintentionally) independent;²³ during his period of rule, he had allowed a number of *zamindars* to grow in influence, and size, by permitting them to amalgamate together smaller *zamindaris* to their territories. In addition, his revenue policy had allowed the Jagat Seth banking house to grow in political importance. By 1730, Calkins concludes 'the government of Bengal began to look [...] like government by cooperation of the dominant forces in Bengal'.²⁴

The later period of rule of Alivardi Khan continued to be similarly based on an *assumed* contract between the rulers, and the large *zamindars* and merchants. The contract allowed discretion to the *zamindars* in the administration of their territory and the right to keep a part of the revenue, in return for collecting and remitting it.²⁵ The stability of government rested upon the acquiescence of the large landholders and bankers.²⁶ Alienation of these powerful factions by the nawabs could lead to violent confrontations. This, argues Calkins, was what occurred in 1740, which brought Alivardi Khan to power. The overthrown *nazim* (ruler), Sarfaraz Khan, had antagonised key groups, who had then combined together with Sarfaraz's rival to overthrow him: 'in a very broad sense, we might say that the coup of 1739 was brought about because the interests of the principal landholders, bankers, and many military men coincided'.²⁷

This is also what some historians argue transpired in Bengal in the late 1750s, which led to the overthrow of Siraj ud-Daula and the Company becoming the effective sovereign of Bengal. Rajat Kanta Ray has argued that Siraj was extremely unpopular at court due to his 'dissolute and violent conduct'. He had managed to keep opposition in check by fear (one of his rivals to the throne was assassinated), but his actions and behaviour left him with very few allies. Ray argues that 'practically no one among the courtiers and commanders of Alivardi Khan could be counted upon to support Siraj in a crisis'.²⁸ This was proved true when the conspiracy that culminated in

²³ Marshall, *Bengal*, p. 49.

²⁴ Calkins, 'Formation', pp. 803–05; Bayly, *Indian Society*, p. 49. This is an argument that has been questioned by Muzaffar Alam and Sanjay Subrahmanyam, who argue that Quli Khan asserted greater control over the *zamindars*. See their 'Introduction', in *Mughal State*, ed. Alam and Subrahmanyam, pp. 46–49.

²⁵ Marshall, *Bengal*, p. 56.

²⁶ Calkins, 'Formation', pp. 804–06.

²⁷ *Ibid.*, p. 806.

²⁸ Rajat Kanta Ray, 'Colonial Penetration and the Initial Resistance: the Mughal Ruling Class, the English East India Company and the Struggle for Bengal 1756-1800', *Indian Historical Review*, 12 (1985-6), p. 7. Cf. Marshall, *Bengal*, p. 75; Chaudhury, *Prosperity*, pp. 307–08.

the defeat of Siraj, at the battle of Plassey, gathered momentum. The conspirators included: the Jagat Seth banking family, whose relations with the nawab had not been fully cordial, and who began to fear that their wealth might be appropriated by Siraj; as well as high ranking court nobles who had been antagonised by the nawab's appointment of what they saw as upstarts to 'important bureaucratic and military' posts.²⁹ Ray suggests that the conspirators were 'merely playing a fresh hand at an old game'. Some of them had helped Alivardi Khan into power, and they had also attempted to organise a conspiracy in 1756, which Siraj had successfully thwarted.³⁰

The idea of employing the British in their coup arose, argues Ray, because the Company had demonstrated their military strength by defeating the French at Chandernagore. In addition, wealthy merchants with connections at the nawab's court, Amirchand and Khwaja Wajeed, also participated in the conspiracy. Kumkum Chatterjee points out that 'Amirchand had extensive dealings with the English Company and therefore had a strong interest in helping it to re-establish itself in Bengal'. While Wajeed had close ties to Siraj and the French Company, but political realities led him to join the plot in order to preserve his status. Chatterjee argues that although these merchants were influenced by their trading considerations and their perception of the growing influence of the Company, their primary motivation in participating in the plot was to preserve their 'connections with politically potent groups at the nawab's darbar'.³¹ Ray similarly stresses that the conspirators had not intended to give the Company any share of power, but only to use the Company for their own purposes.³²

By Ray's line of interpretation, the Company would appear to be hired mercenaries — this practice was not unusual in succession disputes on the sub-continent. Stewart Gordon points out that the Maratha Bands had been hiring themselves out in western Malwa, in the first half of the eighteenth century,³³ and European troops had been used in the Carnatic. Therefore, Ray contends, it was not the conspirators that were the 'hirelings and dependents of the English',

²⁹ Chatterjee, *Merchants*, pp. 102–03.

³⁰ Ray, 'Colonial Penetration', p. 12.

³¹ Chatterjee, *Merchants*, pp. 103–05.

³² Ray, 'Colonial Penetration', p. 12.

³³ Stewart Gordon, *The Marathas 1600-1818* (Cambridge: Cambridge University Press, 1993), p. 137.

rather it was the Company who were dependent on the banking house of Jagat Seth, who had often acted as their political mediators with the court in times of disputes.³⁴ Bayly argues that the 'coup resembled many other incidents in Indo-Islamic history'. However he qualifies this point by stating that the 1757 events took place in the context of world trade, in which the British were emerging as the dominant force.³⁵ Further, Bayly does not suggest, in the same manner as Ray, that the Company were in some sense an instrument of the Indian factions. Rather, he stresses the inter-relationships that had come to exist between the merchants, bankers and the Company: through the course of the 1730s and 40s, Indian merchants came to rely on British protection at sea, Calcutta grew in commercial importance, and close links were established between the Company and the Indian banking houses. In this context, the crisis and conspiracy that took shape in 1757 would inevitably have drawn in the East India Company, but it was by no means a passive actor in the events that took place, rather it exploited the conflict to its advantage. Bayly suggests that the Company was the 'great beneficiary of this age of war, flux and opportunity' because it was 'able to play off one state against another and offer its own formidable services for sale in the all-Indian military bazaar'.³⁶

The suggestion that the Bengali factions willingly collaborated with the British to oust Siraj ud-Daula has been criticised by M. Athar Ali who argues that 'British conquest' cannot, by any stretch of the imagination, be seen as a 'joint Anglo-Indian enterprise'. He sees the events that took place as having their origins in British ambitions — the Indians who participated were merely preserving themselves.³⁷ It is certainly true that the Company servants were fully aware of the ways in which they could potentially benefit from the 'revolution'. It provided an excellent opening for furthering, not only the interests of the Company, but also that of their private trade. In a letter to the directors from Fort William, the select committee wrote that the overthrow of Siraj ud-Daula, was a great opportunity for advancing and consolidating their privileges; they also pointed to the unreliability of Siraj, demonstrated by his suspect relationship with the

³⁴ Ray, 'Colonial Penetration', p. 13.

³⁵ Bayly, *Indian Society*, pp. 49–51.

³⁶ *Ibid.*, p. 48; see also pp. 46–51. On the Company's relationship with the Jagat Seth's see: Leonard, 'The "Great Firm" Theory of the Decline of the Mughal Empire', in *Mughal State*, pp. 411–13

³⁷ M. Athar Ali, 'Recent Theories of Eighteenth-Century India', in *Eighteenth Century in Indian History*, p. 97.

French Company, which in their view, made it reasonable to suspect that he would not keep to the terms of the treaty that had so recently been signed between them. In the end, the letter concluded that the revolution was certain to take place; by participating, they argued, they could ensure that they benefited from the alteration:

By joining Jaffir Aly Khan to supplant him [Siraj], we should obtain in all probability very beneficial terms for the Company as well as live free of any apprehensions from the country government. [...]

Motives [...] founded upon the prime law of self-preservation determined us to embrace the proposal made by Jaffir Aly Khan provided adequate terms were granted'.³⁸

These adequate terms included confirmation of the privileges agreed by Siraj, compensation for the Company's and other Europeans' recent losses and the assignment of revenue of certain districts of land to the Company.³⁹ Ray implies that Mir Jafar had envisaged freeing himself from the demands of the servants by distributing 'large presents' after the revolution was complete. However, in this expectation, he gravely miscalculated:

The East India Company was an impersonal, corporate organisation, the real nature of which the Mughal ruling class could not quite grasp as yet. Its drive for profit and its impersonal bureaucratic organisation were unremitting and instead of being absorbed in the Mughal system, it eroded that framework and took over the real levers of power one by one.⁴⁰

By this argument, Ray demonstrates that he believes that the Company's government provides a break in Indian history. Historians, such as Bayly, have stressed the 'continuities between the Post-Mughal indigenous polities and the East India Company state',⁴¹ but Ray and Athar Ali, for instance, point to the Company's organising premises regarding commerce and government as evidence against such arguments, which will be considered below. Recent scholarship has however shown that the making of the Company's regime was more complicated than has

³⁸ 'Letter from Select Committee, Fort William, to Secret Committee, London' (14 July 1757), *Indian Records*, II, pp. 446–48.

³⁹ *Ibid.*; The Select Committee, Fort William had earlier in 1756, already been advised of the advantages of courting dissident factions: 'we need not represent to you the great advantage which we think it will be to the military operations, and the influence it will have in the Nabob's councils to effect a junction with any Powers in the provinces in Bengal that may be dissatisfied with the violence of the Nabob's Government, or that may have pretensions to the Nabobship'. Thus, the Select Committee would not have needed much persuasion to participate or even to encourage conspiracy in Bengal. See: 'Letter from the Select Committee, Fort St. George, to the Select Committee, Fort William' (13 Oct 1756), in *Indian Records*, I, pp. 239–40.

⁴⁰ Ray, 'Colonial Penetration', p. 17. See also: Marshall, 'Introduction', in *Eighteenth Century in Indian*, pp. 27–28.

⁴¹ Ian Barrow and Douglas E. Haynes, 'The Colonial Transition: South Asia 1780–1840', *Modern Asian Studies*, 38, 3 (2004), 469–78, (p. 472).

previously been appreciated.⁴² What is clear, whether or not the Company maintained a nominal allegiance to the Mughal Emperor or refused to share the responsibility of government with Indian officials, is that what defined Company policy at every point was security: once the Company had achieved a position of great political and military strength within Bengal, it was unwilling to have it compromised. This can be seen in its conflict with Mir Qasim, who attempted to redress the balance between himself and the Company. Further, the rationale of maintaining a garrison of two thousand men in Bengal after the 1757 revolution was to ensure that their interests could not be threatened. The servants contended that the continued security of their trade depended upon them maintaining a military presence in Bengal:

As it is the Company's interest to exert themselves on this occasion, we make no doubt you will immediately enlist and send out a sufficient number of recruits to make a respectable garrison in Bengall, which should consist of a body of two thousand Europeans at least; which expenses we think will be overpaid by the advantages of our acquisitions. We flatter ourselves therefore you will not on any account neglect the sending of such a body of Europeans as we have mentioned to be necessary. This we are of opinion will be the only method of preventing in future the encroachments of the country government, to make our friendship and alliance courted, to carry on our trade on the securest footing, and to oppose the resettlement of the French in these provinces.⁴³

The conspirators, including Mir Jafar and the Jagat Seth House, may have only seen their arrangement with the British as a temporary one, but the servants desired to place their trade on the 'securest footing'. In addition, as we shall see, individuals such as Robert Clive (as the above quotation shows), did not trust the nawabs to keep to any treaty without the threat of coercion; he argued in a letter to Laurence Sullivan that Muslims were incapable of keeping promises.⁴⁴ In this scheme of things, *de facto* sovereignty was the securest foundation upon which the Company's trade could be carried on.

II. Successor States and the East India Company

For historians of the East India Company and the sub-continent in the late eighteenth century, the observation that the Company, in this period, was transformed from trader into ruler is a commonplace one — it was also a fact that was reiterated by contemporaries. However, in many crucial respects, the Company throughout its pre-1756 history was never a 'mere trader'. An

⁴² See for instance: Travers, "The Real Value of the lands", pp. 517–58.

⁴³ 'Letter from Select Committee, Fort William, to Secret Committee, London' (14 July 1757), *Indian Records*, II, p. 451.

⁴⁴ (30 Dec 1758), quoted in: Forrest, *Life of Lord Clive*, II, p. 120–21.

analysis of the organisation of the various Company settlements in India in the seventeenth century shows that they have to be considered more than just trading stations. Some were effectively sovereign communities — they were self-governed and independent from the authority of the local rulers. For example, Bombay had been acquired in 1662 as part of the dowry for Charles II's Portuguese bride;⁴⁵ it was ruled and had its coins minted in the name of the English monarch as opposed to the Mughal Emperor. The Company also administered justice to both Indians and Europeans, and established a public gallows.⁴⁶ The Company had obtained a charter from James II (1686), enabling it, amongst other things, to use force, and under George II's charter, it was invested with the right to make by-laws and ordinances.⁴⁷ Beyond the right to use force, the Company also received 'military aid from the Crown' when it was required.⁴⁸

Madras was also similarly claimed as a sovereign territory beholden to no one except the British King. In a letter from the Court of Directors to Fort St. George (1687), it was argued that the territory of Madras was independent from the local ruler, and whilst they recognised his authority in his remaining regions, they reserved the right to act and govern Madras as they wished:

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 ally, and confederate, and sovereign [...] 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 [...] whatsoever, except our sovereign Lord the King.⁴⁹

Madras was organised as a town with 'a mayor and twelve aldermen who had police powers and operated outside the authority of local rulers'.⁵⁰ The Company in Madras continued to pay the local rulers tribute until 1752 when the then ruler, Muhammad Ali, chose to forgo the favour. This abolished 'the last fragment of dependence upon an Indian Prince at Madras'.⁵¹ In Calcutta (by 1717) the servants had obtained a charter (*farman*) from the Mughal Emperor, which allowed

⁴⁵ Bombay was ceded to the Company in 1688, see: Holden Furber, *Rival Empires of Trade 1600-1800: in the Orient*, vol. II, *Europe and the World in the Age of Expansion* (Minneapolis: University of Minnesota Press, 1976), p. 90.

⁴⁶ Bayly, 'British Military-Fiscal State', p. 328.

⁴⁷ *Readings*, pp. 5, 5n3, 24-25.

⁴⁸ Bayly, 'British Military-Fiscal State', pp. 326-27.

⁴⁹ *Readings*, p. 4.

⁵⁰ Bayly, 'British Military-Fiscal State', p. 326.

⁵¹ Dodwell, *Cambridge History of India*, V, p. 591.

them to trade custom free in return for an annual payment.

The East India Company's status in the sub-continent has been analysed by Bayly who argues that at the beginning of the eighteenth century, the Company was 'more than just another Indian trading community'.⁵² He stresses that 'from the mid-seventeenth century, the East India Company had the capacity, will and legal right to wage war and had an intermittent interest in territorial power and revenue'.⁵³ A case in point is the policies pursued by the Company's chairman, Sir Josiah Child. It was however the ideas that the Company's servants held which, Bayly argues, that were decisive in the Company's take over of power. He contends that the Company displayed two core characteristics of the domestic state (as these have been elucidated by John Brewer), which underpinned the Company's expansion in India. These were a 'rigorous tradition of administrative accountancy' and a belief in an 'ideology of transcendent law and sovereignty'.⁵⁴ By this argument Bayly does not deny the role of individual actors and their private concerns in the rise of the Company to power, but stresses that ideas shared by the servants regarding law and sovereignty, as well as their ability and willingness to use force, played a crucial role in the establishment of British rule of Bengal.⁵⁵

This is a point that Marshall has endorsed in his introduction to *The Eighteenth Century in Indian History*. Here, Marshall argued that the 'ideological assumptions behind British intervention' in Bengal was what rendered 'it especially potent'.⁵⁶ This argument has been developed not only by Bayly but also, for instance, by Sudipta Sen. They both have shown the contrary ways in which the concept of sovereignty was understood by the Company and Mughal officials. They have suggested that the Company entertained absolute notions of right whereas the Mughal rule appeared to be based on a system of concurrent rights — the Mughal Emperor was perceived as the king of kings, rather than as the sole king.⁵⁷

In this scheme of things, any grant that the Company obtained, such as the 1717 *farman* from the

⁵² Bayly, 'British Military-Fiscal State', p. 326.

⁵³ *Ibid.*, p. 325.

⁵⁴ *Ibid.*, p. 324.

⁵⁵ *Ibid.*, p. 329.

⁵⁶ Marshall, 'Introduction', in *Eighteenth Century in Indian*, pp. 26–27.

⁵⁷ Bayly, *Indian Society*, p. 13.

Emperor Farrukhsiyar, was not absolute, but rather required the endorsement of local rulers. However Sen argues that company officials saw the *farman* as a legal document — they ‘infused it with the legal intent of a contract’.⁵⁸ From the Mughal point of view, the *farman* was a personal favour from the Emperor, not a charter equivalent to the ones they had received from the British state. John Surman, for instance, when he had been sent on the mission in 1715 to obtain the *farman*, had been rejected at least twice, partly because ‘the first drafts of the *farman* were [...] written as a legal document — lengthy and tedious’.⁵⁹ Yet, this *farman* was the subsequent foundation upon which the Company servants would derive many of the Company’s ‘rights’. In times of dispute between the Company and local Indian rulers, the servants pointed to the *farman* and argued ‘repeatedly [...] that the Company traded in India by right and not by any favour of the imperial officers’.⁶⁰ This can be further illustrated by the Council of Fort William’s claims after they had been ousted from Calcutta by the nawab: they argued that Siraj ud-Daula’s actions amounted to a violation of the 1717 *farman*, which they had *purchased* ‘from the great Mogul, at more than the expense of one hundred thousand pounds’.⁶¹

The Company had anticipated that the 1717 grant would free it from all obligations to local rulers and enable it ‘to trade as Englishmen, and enjoy their privileges without hindrance’.⁶² However, between the date of obtaining the grant and Siraj ud-Daula’s attack on the Company’s settlement in Calcutta, the Company was fully aware that the implementation of its grant required the cooperation of the local nawabs. From this period on, the servants clearly demonstrated their understanding of the structures of power that existed in the Mughal regime by their ability to function within and manipulate them. Cooperation between the Company servants and the nawabs broke down when the Company became capable of enforcing its interpretation of its rights.⁶³ In addition, opposed to the idea of concurrent rights that has been formulated by Sen and others, was the accepted paramount sovereignty of the Mughal Emperor in this period: local nawabs and Rajas may have contested each others’ rights, but they recognised the superiority of

⁵⁸ Sudipta Sen, *The Empire of Free Trade: the Making of the East India Company and the Making of the Colonial Marketplace* (Philadelphia: University of Pennsylvania Press, 1998), p. 62.

⁵⁹ *Ibid.*, p. 77.

⁶⁰ Chaudhuri, *Trading World*, p. 119.

⁶¹ Quoted in Sen, *Empire of Free Trade*, p. 80.

⁶² Quoted in *ibid.*, p. 76.

⁶³ See: Marshall, ‘Introduction’, in *Eighteenth Century in Indian*, p. 27.

the Emperor. Richard Barnett argues that kingship ideology was just one example of the way the Mughal Empire achieved centralisation.⁶⁴ This argument undermines the idea that the Mughals did not recognise notions of absolute sovereignty. The power of the Emperor was a myth in point of practice by the mid-eighteenth century — the emperors were no longer in a position to enforce their orders — yet regional nawabs still sought recognition from Delhi even after they were virtually independent from the Mughal Empire in order to legitimise their power. For example, until the battle of Panipat, the Marathas recognised the emperor as ‘lord of all land’, and they ‘also gave the impression at all times that they were to be servants of the empire’.⁶⁵ The ruler of Awadh, Safdar Jang, also calculated that it was in his best interests to remain ‘legally’ within the structure of the empire.⁶⁶ Such powerful, regional rulers found it in their interest to maintain the authority of the emperor.

The myth of the emperor was a ploy used by the local rulers to prevent each other from dominating the region. Yet this strategy worked precisely because the players accepted the emperor’s authority. Another example of this strategy at work can be seen in the actions of Shuja ud-daula, the nawab of Awadh: while the Afghans occupied the Emperor’s capital, and the Emperor himself was engaged in a war against the Company for Bihar (1760–61), Shuja was offered the title of *wazir* by the Afghan conqueror, Abdali Shah; he refused and instead chose to maintain the authority of Shah Alam II. This, Barnett argues, ‘renewed the pretence of Mughal authority’. Shuja also used the ‘Mughal name as a shield to protect his own resources’, in that he avoided paying tribute to the Afghan invader by refusing to recognise his authority.⁶⁷ The East India Company clearly recognised the importance of gaining the sanction of the Emperor in order to gain legitimacy, which was why the Company, in common with Shuja and the Marathas, all courted and maintained him. Barnett argues that Company military commanders knew ‘that the prospects of consolidating their victory [at Baksar] depended on how well they could manipulate the authority of the Emperor’.⁶⁸

⁶⁴ Barnett, *North India*, p. 10.

⁶⁵ André Wink, *Land and Sovereignty in India: Agrarian Society and Politics under the Eighteenth-century Maratha Svarajya* (Cambridge: Cambridge University Press, 1986), p. 40.

⁶⁶ Alam, *Crisis*, p. 54.

⁶⁷ Barnett, *North India*, pp. 54-55.

⁶⁸ *Ibid.*, p. 74.

The Company's understanding of the politics of the region enabled them to use the system to their advantage. After the Battle of Baksar, the emperor was publicly respected but he had no independent powers. Various examples in support of this reality can be found including the fact that it was the Company who decided that Shuja would be restored to Awadh, wherein they had previously installed the Emperor. Similarly, while the Company made a great fanfare of the fact that the position of *diwan* had been bestowed upon them, the reality was that the Emperor was in no position to either grant or withhold it. As Barnett argues, the position was not bestowed by the Emperor's *farman*, but by a treaty between the Company and the Emperor. It was in order to give its conquests a sense of legitimacy, that the Company maintained the fiction of the Emperor, and pretended that the *diwani* was a grant from Shah Alam II.⁶⁹

The reason however why the Company did 'not constitute yet another successor state to the Mughal empire' was the servants dissatisfaction with having to submit to the authority of an Indian ruler. The reason for this dissatisfaction will be considered below, but the important point here is that when the Company acquired the ability to use military might to resolve its disputes with the nawabs, it did not lack the will to use it. In other words, it was not a notion of absolute sovereignty but the servants' perception of how best to preserve the Company's interests, which led them to take political power. The Company's interests, in turn, (as chapter 1 showed) were increasingly seen as an important component of Britain's wealth and the Company's acquisitions as part of the British Empire. Given these organising premises of the Company's servants, the Company's regime of Bengal could never have been merely another successor state.⁷⁰

III. The Nawabs of Bengal and Private Trade

The structural changes that occurred in the Mughal Empire, as well as the Anglo-French rivalry explored below, and the Company servants' increasing ability to use force, all informed the broader context in which the Company rose to power. Another important area of explanation is the policies pursued by the servants abroad. In the historiography of the Company's rise to power there has been a tendency, as Marshall points out, to see the British 'as having done little if anything to create the opportunities from which they were to profit so spectacularly'. In this

⁶⁹ Ibid.

⁷⁰ See: Marshall, 'Introduction', in *Eighteenth Century in Indian*, p. 27.

scheme of things, the Company's acquisition of *de facto* sovereignty of Bengal was the result of external circumstances rather than any preconceived plan. Central to this argument was the claim that the British were not involved in Indian politics, until they were forced to be so by the actions of the French and the decline of the Mughal Empire.⁷¹

This was also an argument that was current at the time; one contemporary observer argued that prior to the revolutions that occurred in Bengal's government in this period, the Company had never participated in the political affairs of the province, but now it had become a necessity:

Before the [...] battle of Plassey, the Company's concerns in Bengal were entirely of a commercial nature. They had factories, [...] carried on a pretty extensive trade [...]; but they were never permitted to interfere in any political affairs. The fortunate epoch above mentioned gave a total change to the system of that country. Ever since that period the English have been under the necessity of concerning themselves [...] in the [...] Durbur (or administration) and sometimes to interpose their authority, or their influence, for the sake of the Company's interest.⁷²

Such arguments ignore the privileged status the Company enjoyed abroad, which could only have been achieved by the Company's participation in the courts of successive nawabs, and of the emperors. The Company had never been wholly aloof from the politics of the sub-continent, and at the very least, the mid-1750s did not mark its first foray in this arena.

Before 1756, the year when Siraj ud-Daula ascended the throne and attacked the British settlement in Bengal, the Company had been forced to make various payments to the nawabs of Bengal in order to maintain their trading advantages. In 1756 however the British appeared to procrastinate on the demanded payment, which provided one of the immediate reasons for Siraj ud-Daula's attack. The Company in turn argued that the retaliatory measures they took constituted self-defence — they were protecting their 'rights' as guaranteed them by the 1717 *farman*. Successive nawabs of Bengal had however clearly regarded the Company's 'rights' as defiance of their authority. Rajat Kanta Ray argues that the *farman's* bestowal of duty free trade was 'a serious injustice to the merchants of the country and a gross violation of the provincial

⁷¹ Marshall, 'The British in Asia: Trade to Dominion 1700-1765', in *The Oxford History of the British Empire*, vol. II, *The Eighteenth Century*, ed. Marshall (Oxford: Oxford University Press, 2001), p. 493.

⁷² Anon., *An Address to the Proprietors of East-India Stock Upon the Important Points to be Discussed at the Next Meeting of the General Court, to be held on Monday 12th Inst. at the South-Sea House* (London, 1764), p. 6.

government's right to customs revenue'.⁷³

Successive nawabs had sought to rectify this state of affairs by demanding payments from the Company in order to enforce the orders of the *farman*. Yet the Company's trade had also shifted the centre of foreign trade from the Mughal port of Hooghly to the Company controlled port of Calcutta. In 1733 the nawab complained:

I am scarce able to recount the abominable practices of this people. When they first came to this country they petitioned the then government in a humble manner for liberty to purchase a spot of ground to build a factory house upon, which was no sooner granted but they ran up a strong fort, surrounded it with a ditch which has communications with the river and mounted a great number of guns upon walls. They have enticed several merchants and others to go and take protection under them and they collect a revenue which amounts to Rs 1000, 000.⁷⁴

The development of the Company's settlement undermined the authority of the local ruler and it displayed the potential of becoming 'an alternative political centre'. Therefore, the tension between Bengal's rulers and the Company servants had been brewing for some time. Siraj ud-Daula's immediate reasons for attacking the British, besides the failure to pay the demanded sum, included: the strengthening of the fortifications surrounding the Company's settlement, the servants' harbouring of and refusal to surrender Mughal subjects wanted by the nawab, as well as the long standing issue of the extent of the Company's free trade.⁷⁵

In a letter written by Siraj ud-Daula to an Armenian merchant, he stated that he was willing to pardon the English, if they rectified the above mistakes, and agreed to pay some duty on trade: 'I will then pardon their fault and permit their residence here, otherwise I will shortly expel that nation'.⁷⁶ It is unlikely, given the extensive trade the Company conducted, that Siraj desired to permanently exclude the British, but, in any case, from the Company's point of view, the demands were unreasonable; they required them to forego all their hard won 'rights'. Even after the successful coup against Siraj ud-Daula, the point of contention between the nawabs (Mir Jafar and then Mir Qasim) and the Company, remained that of the Company's trading privileges, but now also included the amount of money that the nawabs were to pay to the Company in return for the military assistance that they had been given. On Mir Jafar's accession

⁷³ Ray, 'Colonial Penetration', p. 8.

⁷⁴ Quoted in Ibid.

⁷⁵ Ibid., p. 9.

⁷⁶ Ibid., p. 10.

to throne he had been expected to pay Rs. 28,000,000; in order to ensure that this sum was recovered Clive demanded (in 1758) that the revenues of certain parts of Bengal should be assigned to the Company temporarily.⁷⁷ In 1760, the servants demanded that these assignments were made permanent, and that they were ceded additional territory: Mir Jafar refused, but his son-in-law, Mir Kasim, was willing to accept the demands, which led to Mir Jafar being deposed by the servants.⁷⁸

After Plassey, European private enterprises (as opposed to the Company's trade) had increased into the internal trade of Bengal; this was an area from which they had previously been excluded. In addition, the traders used force to buy and sell to their advantage, and utilised the Company's free trade passes for their private commercial activities. The latter abuse had become a long standing one, but the dramatic growth in private trade after 1757 increased the scope of the problem and seriously challenged the nawabs' authority. For instance, Mir Qasim complained:

All the English chiefs with their gomastahs, officers and agents, in every district of the government, act as collectors, renters, zemindars and talookdars, and setting up the Company's colours, allow no power to my officers. [...] And every man with a Company's dustuck in his hand, regards himself as not less than the Company.⁷⁹

In addition, the extensive use of the *dastaks* by Europeans and Indians meant a reduction in the custom returns of the nawabs.⁸⁰ High ranking Company servants had especially large private commercial interests in the internal trade of Bengal in this period. Henry Vansittart, the governor of Fort William, was reported to have an enormous stake in the salt trade. His interests were in direct competition with other members of the Fort William Council, John Johnstone and William Hay.⁸¹ This rivalry was to have important consequences for the events that developed during Mir Qasim's short reign.

Marshall points out that after 1757 superficially very little had changed, but in reality, he argues, Plassey had brought about a 'political revolution'. In the lands ceded to the Company in 1757 and 1760, British influence expanded into new areas of Bengal, and provided the servants who

⁷⁷ Marshall, *Bengal*, p. 83. Company troops were used to protect Bengal from external threats; Mir Jafar was expected to maintain them for which reason his own army was disbanded on the Company's insistence, see: Marshall, *Bengal*, pp. 82–83.

⁷⁸ Marshall, *Bengal*, pp. 84–85; see also: Marshall, *Making and Unmaking*, p. 152.

⁷⁹ Quoted in Ray, 'Colonial Penetration', p. 32.

⁸⁰ Marshall, *East Indian Fortunes*, pp. 116–19. See also Jones, *Hastings in Bengal*, pp. 50–51.

⁸¹ Marshall, *East Indian Fortunes*, p. 115.

were posted there with lucrative trading opportunities. The Indian officials' powers in the annexed territories were undermined and Company servants were appointed as residents to the nawabs' court.⁸² Mir Qasim attempted to take steps to reform British abuses of trade and the Treaty of Monghyr was negotiated by Vansittart under which European traders had to pay a 9 percent duty on 'inland' items (such as salt) and European Indian agents came under the jurisdiction of the nawab's courts.⁸³ This treaty was rejected by the council, but Mir Qasim took measures into his own hands: 'Since all this wrangling on the part of the gentlemen has arisen on account of duties, I have for that reason, put a stop to the collecting of duties and customs in all districts of the provinces, subject to me'.⁸⁴

Mir Qasim thereby effectively eroded the advantages of the Company, without actually altering its trading privileges. In a revealing comment, one Council member (John Johnstone) declared that the nawab was attempting 'to ruin our trade, superiority and influence through the country, by reducing us on a footing with all other Europeans [...], and even with the very Bengal inhabitants'.⁸⁵ The rejection of the treaty, and the subsequent hostilities that followed owed much to some of the servants' suspicion of the intentions of each other as that of Mir Qasim's. Members of the council felt that Vansittart had negotiated a treaty to his private advantage — mistrust of Vansittart's intentions stemmed from earlier evidence that he had obtained preferential treatment for his trade at the expense of that of his fellow-servants' concerns. In addition, Marshall points out that the traders could easily have borne the nine percent duty — what the private traders fundamentally objected to was any degree of dependence on the nawab.⁸⁶

The servants' actions did not go without protest from the Company in London. News of the dispute with Mir Qasim led the directors to call for inland trade to be halted and for 'all European agents and private *gumashtas* be recalled',⁸⁷ but significant reform would have to await Robert Clive's appointment as governor of Fort William for the second time in 1765. Ray

⁸² Ibid., pp. 112–14.

⁸³ Ibid., pp. 124–25.

⁸⁴ Quoted in Ray, 'Colonial Penetration', p. 37.

⁸⁵ Ibid., p. 39.

⁸⁶ Marshall, *East Indian Fortunes*, p. 126.

⁸⁷ Ibid., p. 128.

contends that the Company's concern for the reformation of the abuse of free trade stemmed not from any sense of responsibility, but from the fact that it was harming their profits.⁸⁸ He argues that the 'it was the private aggrandizement of the Company servants that provided the cutting edge of the expanding English imperialism'.⁸⁹ This is also an argument put forward by Sushil Chaudhury, who argues: 'conquest [...] followed not because of any internal crisis, either political or economic, in Bengal. The conquest became necessary for the retrieval of the private trade fortunes of the Company servants'. Furthermore, argues Chaudhury, the servants were fully aware that their actions would be vindicated in the eyes of the directors, if the end result augmented the profits of the Company⁹⁰ — Private and Company interests were very difficult to separate.

IV. Anglo-French Rivalry

When J. R. Seeley argued that it was not until the British had abolished the influence of the French in India, that they were able to get 'rid of that feeling that the French were driving us out of it', he expressed a feeling that was prevalent amongst eighteenth-century policy makers. India was, in Seeley's words, 'a prize of absolutely incalculable value'⁹¹ — contemporaries may not have regarded the Indian acquisitions as equivalent to the American ones, but they were significant enough to lead British policy makers to take steps to preserve them from French ambitions. The actions of other Europeans, real or imaginary, were a strong influence upon the policies pursued by the British. The rivalry of the British and the French for the control of the Asian trade was only part of their broader struggle in the international arena for supremacy. Their competition with one another to dominate the East India trade explains their increasing interference in Indian politics through the course of the eighteenth century, but it was a process that intensified in the 1740s. Holden Furber has argued that both the English and French 'felt compelled to interfere in Indian politics' — that is, each of them suspecting the other might conspire against them, in conjunction with Indian powers, led them to adopt a more interventionist approach in sub-continental politics.

⁸⁸ Ray, 'Colonial Penetration', p. 28.

⁸⁹ Ibid.

⁹⁰ Chaudhury, *From Prosperity*, p. 333.

⁹¹ Seeley, *Expansion*, pp. 35–36.

The Anglo-French rivalry that unfolded in southern India during the 1740s led to a concentration of European troops in the region. This fact would prove decisive for the way the British responded to Siraj ud-Daula's attack on Calcutta. It was also during this time that the practice of hiring out European troops to Indian princes was established. In return, the Companies were assigned the revenues of certain areas of the rulers' territories. These developments, Furber argues, set 'the stage [...] for the plots, marches and counter-marches'.⁹² An example of the English Company's involvement in Indian domestic disputes includes its unsuccessful attempt to help the Maratha chief, Shahji, to regain the throne of Tanjore in return for the right to set up a factory at Devicottai (1749).⁹³ But it had been the French Company that had developed the practice of hiring out troops to the Indians. In 1748, The French Company became involved in the Hyderabad succession struggle, where two contenders, Nasir Jang and his nephew Muzzafar Jang, both claimed the throne; the French decided the issue by militarily supporting the nephew. The cost of the involvement was extremely high for the French, but they were compensated by the receipt of grants of land, which 'more than doubled the French Company's possessions'.⁹⁴ It was the potential of achieving such dividends that made an interventionist policy in Indian politics so attractive to Europeans.

Bruce Lenman argues that the French Company had learnt that it could achieve its objectives by 'backing a compliant Indian prince militarily' in succession disputes.⁹⁵ This was a fact that was not lost on the British who realised, when the French became involved in the Carnatic dynastic struggle, that they could not afford to remain aloof.⁹⁶ The governor of Fort St. George, Thomas Saunders (1751) argued:

But since the French have put themselves in possession of extensive domains and have raised their flags at the bounds of our territory and have striven to strain our settlements to such an extent that they can neither receive supplies or goods, it has been judged essential to thwart their designs less their success render our situation worse.⁹⁷

⁹² Furber, *Rival*, pp. 150–51.

⁹³ *Ibid.*, p. 151.

⁹⁴ *Ibid.*, p. 152, see also pp. 146–57.

⁹⁵ Lenman, *Britain's Colonial Wars*, p. 96.

⁹⁶ *Ibid.*, p. 98.

⁹⁷ Quoted in Furber, *Rival*, p. 156. See also [Nathaniel Smith], writing in 1771 who remarked: 'The French under Duplex, first opened the way to acquiring territorial possessions in India; and why they did not reap those advantages we have since done, and which they may be justly charged with having forced us into, on that coast arose entirely from the misconduct of Duplex' (*Observations*, p. 3). See also: *Plan for the Government of the Provinces of Bengal*, p. 9.

The British supported Muhammad Ali — the son of the previous ruler; the French had already installed, in 1751, another contender to the throne, Chanda Sahib. Ultimately, the English Company's troops, under the command of Stringer Lawrence and Clive, were successful in defeating the French. However, the significant legacy of this, from the perspective of events that were to unfold in Bengal, was the increased British military and naval presence on the sub-continent and Indian Ocean: the British government, in 1753, had decided to send 'four king's ships' and '900 royal troops' to India,⁹⁸ and, in addition, the English Company, in imitation of the French, had increased its military ranks by recruiting and training Indians; these soldiers were known as sepoy forces. Lenman observes that this rivalry left the English Company with an 'independent military muscle which was to enable them to expand [...] territorially'.⁹⁹ It left them, in other words, with the option of using force without which they might have resolved their dispute with Siraj ud-Daula by the means of negotiation. In any case, it is certainly true that had the dispute taken place ten years earlier, the Company would not have possessed the resources to respond in the same manner. That past disputes, whether with Indian rulers or other Europeans, had not erupted into 'warfare in the seventeenth or early eighteenth century', Marshall has argued, 'owed more to the lack of force at the disposal of the Company's servants in India than to the peaceful intentions of their employers'.¹⁰⁰

In Bengal, it was also the fear of the French influence on the local ruler that led the Company to use the opportunity provided by Siraj ud-Daula's actions to attack the French settlement at Chandernagore, in March 1757. The select committee at Fort William did not unanimously support the action that was taken. In one letter written before the attack, the committee suggested that they should agree to a treaty of neutrality with the French rather than creating another point of controversy with the nawab.¹⁰¹ Yet Clive and Watson, who had been dispatched from Madras upon the news of the loss of Calcutta, had received prior instructions to 'dispossess

⁹⁸ Furber, *Rival*, p. 155. Marshall, 'British in Asia', p. 498, points out that the British government had no national policy towards India but were 'in no doubt that Asian trade was a national interest and that the forces of the Crown must support the Company if it was likely to be worsted by the French'.

⁹⁹ Lenman, *Britain's Colonial Wars*, p. 100.

¹⁰⁰ Marshall, 'British Expansion in India in the Eighteenth Century: a Historical Revision', *History*, 60, (1975), 28–43 (p. 32).

¹⁰¹ 'Letter from Select Committee, Fort William, to the Secret Committee, London' (24 Feb 1757), in *Indian Records*, II, p. 250.

the French of Chandernagore' if it proved practical.¹⁰²

S. Chaudhury argues that the British motivation for attacking the French was the private trade of the servants. He points that in the 1750s, the French share of private trade had increased — by the mid-1750s they were seriously undermining 'the supremacy of the British private trade'. It was this decline in their private trade, he contends — rather than the complaints of the nawabs — that actually led the Company to reform the *dastak* system. It also explains their decision to attack the Chandernagore. In Chaudhury's opinion, arguments that suggest the Company attacked the French settlement because Britain had just embarked on the Seven Years War, or to prevent the collusion of the nawab and the French, are inadequate.¹⁰³ While these may have provided the rhetoric by which to justify their actions, he states, the real motivation was to eliminate French competition.

The paranoia that existed within the Company regarding French activities and intentions on the sub-continent cannot be overstated. The directors were extremely concerned that French trade did not surpass their own; in one letter to their servants they complained: 'the Cargos of the French and Dutch Ships lately arrived from Bengal seemed to appear much [more] valuable than ours'.¹⁰⁴ In another letter written by the select committee at Fort William, it was stated 'there was the greatest reason to imagine he [Siraj] was an utter enemy to the English and privately endeavouring to bring in the French with promises of joining them against us'.¹⁰⁵ The servants did not seem to have any specific intelligence of an alliance being formed, but their suspicions were aroused nonetheless. The servants' perception of the nawab as deceitful and untrustworthy did nothing to ease this climate of uncertainty under which the servants operated. The view of the nawab as dishonest was one that was developed by Clive in a letter to Laurence Sullivan:

But you, Sir, who have resided so long in India, are well acquainted with the nature and dispositions of these Mussulmen, gratitude they have none, bare Men of very narrow conceptions, and they have adopted a system of Politicks more peculiar to this Country than any other, viz.; to attempt everything by treachery rather than force. Under these circumstances may not so weak a Prince as Meer Jaffier be easily destroyed, or influenced by others to attempt destroying us. What is it then can enable us to secure

¹⁰² Chaudhury, *Prosperity*, p. 322.

¹⁰³ *Ibid.*, pp. 310–11, 318–19.

¹⁰⁴ 'Letter from Court' (4 March 1767), in *FWIHC*, V, p. 18 (see also p. 43).

¹⁰⁵ 'Letter from Select Committee, Fort William, to Secret Committee, London' (14 July 1757), in *Indian Records*, II, p. 447.

our present Acquisitions or improve upon them, but such a force that leaves nothing to the power of Treachery or Ingratitude.¹⁰⁶

Ultimately, the only way that Clive could envisage the Company trading freely, without being obliged to pay duties was by becoming 'Nabobs ourselves in Fact, if not in name'.¹⁰⁷

V. British Perceptions of the Mughal Empire

By pointing to the untrustworthy character of the Muslims, Clive was drawing on a long existing set of attitudes. Roe, in the early seventeenth century, had argued that diplomacy with the Mughal Empire had to go hand in hand with the threat of force; he contended that the Company's best guarantor of trade in India was fear and therefore, in order to protect their interests, the Mughal rulers had to be kept in awe of the English. As he advised factors at Bantam: 'nothing but fear keeps a Mughal 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'.¹⁰⁸ Yet at the same time, Roe advised against engaging in land wars and building fortified settlements in India, arguing that they were incompatible with profitable commerce. The rationale for this advice was based on his recognition that the Company could not match the military strength of the Mughals; instead, he believed that the English should make use of their naval superiority to gain concessions for their trade on land.: 'Lett this bee receiued as a rule that if you will Profit, seeke it at Sea, and in quiett trade; for without controuersy it is an error to affect Garrisons and Land warrs in India'.¹⁰⁹

The relative strength and weaknesses of the Mughal Empire and the Company has led Om Prakash to argue that both were able to coexist without significant conflict for many decades because 'at work was indeed a rather finely tuned balance between the Europeans' unquestioned sovereignty on the sea as against their almost total vulnerability on land for a long time'.¹¹⁰ K. N.

¹⁰⁶ (30 Dec 1758), quoted in: Forrest, *Life of Lord Clive*, II, p. 120–21. It was similarly argued in Anon., 'Review of the History of Bengal from the Death of Aliverdy Cawn', that the 'Moors' had 'no idea of personal honour among Princes, nor of that True Policy, which is founded on moderation and good faith' (OIOC, MSS Eur. E12, p. 254). See also: 'Clive to Directors' (30 Sept 1765), in *FWIHC*, IV, p. 339.

¹⁰⁷ 'Clive to Rous' (17 April 1765), quoted in: Forrest, *Life of Lord Clive*, II, pp. 257.

¹⁰⁸ Quoted in I. Bruce Watson, 'Fortifications and the "Idea" of Force in Early English East India Company Relations with India', *Past and Present*, 88 (1980), 70–87 (p. 75n36).

¹⁰⁹ *Readings*, p. 4.

¹¹⁰ Om Prakash, *European Commercial Enterprise in Pre-Colonial India* (Cambridge: Cambridge

Chaudhuri also points out that the reason why the Company's representatives were treated by Mughal rulers with greater respect than might otherwise have been accorded to merchants, was because 'the chartered Companies were [...] in a position to inflict material damage to the seaborne trade of the [Mughal] Empire'.¹¹¹ Roe in fact advocated attacking Mughal fleets whenever their trade at Surat met with interference.¹¹² However, as Chaudhuri stresses, actual recourse to arms could be extremely damaging to the trade of both parties,¹¹³ which encouraged both sides to maintain cordial trading relations; but once the military balance tilted in the Company's favour, as it had by 1756, the Company was no longer inhibited by fears that its actions might result in its being forcibly expelled — as it had been in 1689 after a disastrous war with the Mughals.

The role that the idea of 'force' played in the Company's policy in India, has been analysed by Bruce Watson. He demonstrates that Roe's set of attitudes towards the Mughal empire was widely shared; but while the empire was still militarily powerful, it commanded a degree of respect. Watson points out that the 'official guide for action' from 1687 was: '*suaviter in modo, fortiter in re*' (courteous in manner, firm in deed).¹¹⁴ In Watson's study of the impact the idea of force had on the servants' relations with Indian rulers, he argues that the Company's establishment of forts in order to defend their trade from perceived threats facilitated the development of an offensive use of force. The servants could and did use the forts as bases from which to launch military attacks on Indian rulers, but the Company's fortified settlements also undermined the power of the rulers in a more subtle manner. For instance, the English lived according to their own laws in their settlements and regarded their territories 'as havens for themselves', Indians, 'and their property'.¹¹⁵ This, as Watson observes, 'challenged Indian authority around' the English settlements¹¹⁶ — in 1756 one of the causes of the dispute between the Company and Siraj was the servants' failures to give up the Indians wanted by the nawab.

University Press, 1998), p. 139.

¹¹¹ Chaudhuri, *Trading World*, p. 109.

¹¹² Watson, 'Fortifications', p. 74.

¹¹³ Chaudhuri, *Trading World*, pp. 125-26.

¹¹⁴ Watson, 'Fortifications', p. 79.

¹¹⁵ *Ibid.*, pp. 81-82.

¹¹⁶ *Ibid.*, p. 87.

Chaudhuri implies that the policy that the Company adopted in India was based on its understanding of the Mughal regime as arbitrary — the trading concessions that the servants sought from the Mughal rulers, such as the 1717 *farman*, was their means of providing stability for their trade under a government whose fiscal demands were perceived as capricious.¹¹⁷ Chaudhuri argues that it was a ‘fixed and long-term objective’ to ‘impose a certain degree of control over the Company’s political environment in Asia’;¹¹⁸ the Company believed that the political reality of Mughal India left them with no alternative but to invest in forts, naval protection and troops: ‘if no Naval Force no Trade, if no Fear no Friendship’.¹¹⁹ What changed over time was the ‘degree of control’ that the Company could aspire to and realistically demand.¹²⁰ Robert Travers’s ‘Ideology and British Expansion’ presents a similar argument to that of Chaudhuri and Watson, but concerns itself more specifically with the period 1757–72. Travers argues that the British held ‘deeply entrenched assumptions about Indian politics’, which, he contends, provides an ‘important ideological context for British actions during the conquest of Bengal’. He believes that there existed a certain ‘frontier patriotism’ amongst the servants in India according to which the servants defined themselves in contradistinction to the Mughals — the servants’ rights and freedoms as Englishmen were opposed to the despotism and faithlessness of the Muslims.¹²¹

At the same time, Travers complicates this argument by drawing attention to the fact that the Company also wanted to legitimise its status on the sub-continent by making use of Mughal forms of government — the Company’s initial regime in Bengal sought to preserve what it regarded as the ancient Mughal constitution.¹²² Yet, while Travers does not believe that British

¹¹⁷ Chaudhuri, *Trading World*, p. 121. See also: Anon., *Conduct of the East India*, pp. 11–12.

¹¹⁸ Chaudhuri, *Trading World*, p. 121.

¹¹⁹ Abstract of Letters Received from Bombay, (20 Dec 1718), OIOC E/4/449, para. 30, p. 322, quoted in Chaudhuri, *Trading World*, p. 113. In 1774, it was argued in Anon., *Conduct of the East India*, pp. 45–46, that upon the second enthronement of Mir Jafar, the Company realised ‘that their situation was such, that they could trust no Nabob, nor could any Nabob trust them. The military Force which was at first found necessary for the Protection of Commerce, and which could not be supported without a territorial Revenue, was [...] found equal to the enthroning and dethroning of Nabobs’.

¹²⁰ Chaudhuri, *Trading World*, p. 121.

¹²¹ Travers, ‘Ideology and British Expansion in Bengal 1757–72’, *Journal of Imperial and Commonwealth History*, 33, 1 (2005), 7–27, (pp. 8–9).

¹²² This is a theme that Travers has explored in greater detail in his ‘Contested Notions of Sovereignty in Bengal under British Rule: 1765–1785’ (Ph.D. thesis, University of Cambridge, 2001).

perceptions of the Mughals can be reduced to any simple formulation of the Muslims as the European 'other', he does believe that the inherent British belief that the Indians could not be trusted provided 'ideological coherence' to the Company's expansion.¹²³ The policies that the servants pursued from obtaining *dastaks* to acquiring *diwani* to standing forth as *diwan* in 1772, were all consistent, Travers contends, with the servants' perception of the Indians as corrupt and untrustworthy.¹²⁴ These perceptions were further shared by the directors in London who, after the acquisition of the territorial revenues of Bengal, questioned the integrity of the *naib*, Muhammad Reza Khan and increasingly urged the servants to take greater control of the management of *diwani*.¹²⁵

There is no doubt that the attitudes that Travers explicates can be widely found in the contemporary published literature, private papers and amongst the Company's official correspondence. However it is also possible to find evidence of another strain of opinion that placed the responsibility for the Company's misgovernment of Bengal upon the shoulders of the servants. For instance, in one letter the directors blamed the Europeans for the alleged unreliability of the Indians:

It is a sad truth [...] that in all parts of India where the Europeans generally come the natives soon learn to flatter, cheat and wreak their malice whereas in the inland countries where few Europeans ever are, they are generally harmless and innocent and not inclined to mischief.¹²⁶

After the Plassey revolution, the directors saw native depravity as a reason for why the Company was not prospering according to their expectations, but at the same time, the behaviour of the servants was also censured; a significant amount of the directors' attention after the revolution would be concerned with establishing control over their servants abroad and public attention would come to be focussed on the conduct of the Company in Bengal. As the next chapter will show, it was (though not exclusively) the Company's depravity abroad that engaged the attention of informed observers in Britain. This is not to deny the argument that Travers puts

¹²³ Travers, 'Ideology', pp. 9, 18.

¹²⁴ See: *ibid.*, pp. 13, 15–17.

¹²⁵ *Ibid.*, p. 16; see also, for instance, *FWIHC*, VI, pp. 90, 119–24.

¹²⁶ Despatch Book, 10 Jan 1711, OIOC, E/3/97, para. 83, pp. 179–80. Another example of a similar attitude is the remarks of John Carnac on the dispute with Mir Kasim: '*Cossim Ally Cawn* was determined from the beginning to set himself out of the Reach of the *English* power as expeditiously as possible: and that it was natural he should do so, having no security for the *English* Faith being better kept with him than his predecessor', *RCHC*, III, p. 302.

forward, but to emphasise that British perceptions of the Indians was only one component of British expansion.¹²⁷

Conclusion

When Mir Jafar was installed as nawab in 1757, the British may not have entertained the possibility of taking political control themselves; however, as Marshall has pointed out, by then, 'the British [...] had a compelling interest in the survival of a stable and well-disposed regime in Bengal'.¹²⁸ It gradually became politically inconceivable and then practically impossible for successive nawabs to take measures that the Company did not approve of. The revolution in the balance of power in Bengal was the result of Company and private trade considerations, Anglo-French rivalry and the internal politics of Bengal — as well as being helped by the wider changes taking place in eighteenth-century Indian society. Further, assumptions that the servants held regarding the manners of the Muslim rulers, also played an important role in British expansion. Such perceptions reveal a dissatisfaction with the Company's dependence on the nawabs; consequently, when circumstances led to the growth of the Company's military power in India, the servants demonstrated that they had the will to use it.

The degree of force that the Company servants had at their disposal by 1765 had increased significantly. This was the consequence of Anglo-French rivalry, but it proved to be decisive for the way disputes with Indian rulers were resolved. The servants were not forced into a policy of conquest — it was not the only option open to them — it was the route they could and did take increasingly in the second half of the eighteenth century, as being the best means of furthering the interests of their own and Company trade. Their actions demonstrated that they no longer faced the same constraints as servants earlier in the century had faced upon the scope of their actions. They could consequently afford to enlarge their vision of how their trade and interests could be preserved from the perceived and actual encroachments of the Mughal government, and the ambitions of the French: from privileged traders with fortified settlements, to rulers of

¹²⁷ It is noteworthy that both concerns regarding the conduct of Company servants in India and the depravity of the Indians were articulated in Burke's speeches during the impeachment of Warren Hastings. See for instance Burke, 'Speech on Opening of Impeachment, in *Writings and Speeches*, VI, *India the Launching of the Hastings Impeachment*, ed. Marshall (Oxford: Clarendon Press, 1991), pp. 292–93.

¹²⁸ Marshall, *Bengal*, p. 81.

Bengal.

Commerce with India was of significant interest to Britain, which was why the state, after all, supported and sustained the Company. From the very start, the Company had sought advantages from the Mughal Emperor by which to undercut the trade of her rivals. Political and military dominance gave the Company freedom to conduct their trade as they desired: by paying no custom duties and facing no threat of interference from local Indian officials. As Clive observed in 1765:

Can it then be doubted that a large Army of Europeans would effectually preserve to us the Sovereignty, as I may call it, not only keeping in Awe the ambition of any Country Prince, but by rendering us so truly formidable, that no French, Dutch or other Enemy could ever dare to molest us?

He went on to state that becoming 'Nabobs ourselves in Fact, if not in name' was the only way of providing the Company with security for their trade on the sub-continent.¹²⁹ What had shifted by 1765 was the perception of what was necessary for the Company's security and the level of security that the Company could hope to demand. The desirability of territorial empire would be contested when it did not pay the dividends that it at first promised, but relinquishing it was never a viable alternative.¹³⁰ Attention and debate would instead turn to the consequences of mercantile government.

¹²⁹ Quoted in Forrest, *Life of Lord Clive*, II, pp. 256–57. See also the 'Fundamental Maxim' stated in 'Hints for a Political System', OIOC, MSS Eur. E12, p. 37: 'That as our influence and possessions were acquired, so they must be maintained by force; and that the princes of the country are only to be kept in order by fear'.

¹³⁰ For instance, [Smith] argued: 'it might be wished, that the original plan of trade, upon which the Company was first constituted, had still continued [...], and that they had not been from merchants erected into sovereign princes', but he went on to state it was now impossible for the Company to return to its original foundations: 'we must preserve what we have acquired upon the principles of self-defence', he continued: 'let us relinquish our possessions whenever we will, other Europeans are in readiness to lay hold upon whatever we leave', *Observations*, p. 5.

Chapter 3

'New and Monstrous Species of Despotism': Responses to the East India Company's Rule of Bengal

The relationship between the Company's servants and the nawabs of Bengal, during the period 1756–65, was soured by the private trade abuses of the Europeans. The latter continued to be an issue after the acquisition of *diwani*, but it also became a cause of friction within the Company because of the steps that were being taken to reform it. Robert Clive had been sent back to Bengal in 1765, upon the news of the breach with Mir Qasim, in order to rectify the Company's affairs in the area. The measures he took, however, alienated a number of individuals, including John Johnstone (1734–1795)¹ and William Bolts, who from 1766 onwards began to air their grievances in London. They questioned the legitimacy of the actions the Company had taken to rectify its affairs in Bengal, and drew attention to the deterioration of the condition of the acquired territories following the Company's acquisition of political control. This chapter analyses responses to the Company's government of Bengal as these were presented in the most significant pamphlets published on the subject in this period. The succeeding chapter will adopt the same approach in order to investigate the principles of the plans that were put forward for the reform of the Company. Importantly, since those who wrote to point out the ills of Company rule also proceeded to give advice on how it could be rectified, many of the individuals that figure in this chapter will also make an appearance in the next.

The responses to the Company's rule of Bengal, between 1769 and 1773, can be divided into two separate camps. Firstly, there was a strain of opinion that regarded the acquisitions as being of national importance, and saw the Company's regime in Bengal as destructive because of its anomalous character as a sovereign-merchant.² Publicists that expounded this view argued that the only remedy for reforming the Company's affairs — if Britain did not want to lose her

¹ Johnstone was appointed to the post of writer in the service of the Company in Bengal (in 1750); after the Battle of Plassey, Johnstone became a member of the Fort William Council, and was put in charge of territory (Midnapore, and then transferred to Burdwan in 1762) ceded to the Company by the nawab. His activities at Burdwan would ultimately lead to conflict with Clive, which will be discussed below. See: D. L. Prior, 'Johnstone, John (1734-1795)', in *ODNB* <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/63515>> [accessed 27 July 2005]

² Anon., *True Alarm*, p. 2; Anon., *Present State*, p. 5.

acquisitions — was for the British government to administer the territories itself.³ This viewpoint was expressed by Alexander Dow and William Bolts,⁴ and will be considered in this chapter in conjunction with such important anonymous publications as the *True Alarm* and the *Present State*. The second strain of opinion saw the Company's problems in Bengal as the result of Clive's actions and his dual system. This group wanted the Company's affairs to be reformed, but were against the British government taking over the responsibility of managing the territories. George Johnstone, who will be explored in the next chapter, and the author of the *Plan for the Government*, considered here, thought that the Company would be capable of managing the acquisitions if they were given the appropriate powers.

Central to both of these groups' arguments was the notion of despotism; this was a concept that was heavily influenced by the ideas of Montesquieu, and this chapter will consider, in section two, his understanding of the term. Yet while Montesquieu's definition of despotic government was clearly employed by the theorists considered here, at the same time, they distinguished between different degrees of despotism. This chapter will proceed to demonstrate how the idea of 'imperfect' despotism, implicit in Montesquieu's theory, and a differentiation between arbitrary despotic regimes and absolute despotisms — which had been formulated, for instance, in David Hume's *Essays* — explains the way in which contemporaries could describe the Mughal empire as both despotic and as a government by law. The difference was employed by the *Plan for the Government* in order to indict Clive's dual system, but it was also called upon to vindicate Clive's policies, as Luke Scrafton, Clive's close supporter, set out to do. Robert Travers has shown the ways in which the idea of the 'ancient Mughal constitution' was utilised in the construction of the Company's regime in Bengal.⁵ However, in Britain the very same concept was employed to indict Company rule.

This chapter will then show how mercantile despotism was defined as a new species of despotism and used by the *True Alarm* and the *Present State*, to justify the British government's take over of responsibility. Despotism, in its precise sense, was understood to be an arbitrary and

³ Anon., *True Alarm*, p. 100n; Anon., *Present State*, p. 67.

⁴ Bolts, *Considerations*, p. 220–21; Dow, *History*, III, cxvi.

⁵ See: Travers, 'Contested Notions', pp. 1–43.

absolute system of government,⁶ but the *Present State*, the *True Alarm*, Bolts, Dow and the *Plan for the Government*, all employed it more loosely. They argued that all governments, including despotic ones, faced restraints on the exercise of power. These restraints differed according to the form of government, but fundamentally, the self-interest of all rulers dictated that they took care of the interests of their people.⁷ This was not true of the Company's government of Bengal, which demonstrated that it was wholly unqualified to exercise what in practice amounted to sovereign power. Firstly, however, this chapter will turn to the private trade issue which provides much of the necessary context for this and the succeeding chapters. It was the events that unfolded between 1757 and 1769 which created much of the problems and disaffection that led to increased focus on Indian affairs between 1769 and 1773.

I. Private Trade

The desirability of a Company post in India did not lie in the nominal salary that it paid, but rather in the opportunity of supplementing that income by engaging in lucrative private trade. There were only limited openings in the Europe to Asia (as well as Asia to Europe) trade for the servants due to the Company's exclusive trading privileges; the servants could, however, freely participate in the country or intra-Asian trade. This had become Company policy in the late seventeenth century, and thereafter, the private trade of the servants within Asia gradually increased. Individuals not employed by the Company could also obtain permission to trade in the sub-continent and were known as free merchants — fifty-nine were licensed during the years 1736–56. There also existed large numbers of Europeans who traded in Asia with no formal permission, but the Company found it almost impossible to prevent them.⁸

After the battle of Plassey, the significant decline in the power of the nawabs had enormous repercussions upon the private trade of the servants, and that of the free merchants. Prior to 1757, European private traders were excluded from dealing in inland articles; these were goods that were bought and sold within Bengal, such as salt, betel nut and tobacco. This exclusion had

⁶ For explorations of the concept of despotism see, Franco Venturi, 'Oriental Despotism', *Journal of the History of Ideas*, 24 (1963), 133–42; Melvin Richter, 'Despotism' in *Dictionary of History of Ideas*, vol. 2, *Studies of Selected Political Ideas*, ed. P. P. Wiener (New York: Charles Scribner, 1973).

⁷ This view was espoused, for example, in the *Present State*, pp. 21–23.

⁸ Marshall, *East Indian Fortunes*, pp. 18–21.

been accepted by the Company (which was not itself involved in the trade) in order to placate the nawabs who derived especial advantages from it. The specific benefits that the rulers gained were higher custom returns on inland goods and an ability to grant exclusive monopolies to deal in particular commodities to individuals of their choice. Any attempt by the British traders to encroach in this field not only undermined the monopoly rights the nawabs had granted and their powers of patronage, but also threatened their revenues because the British traders made use of the Company's trading pass, which precluded them from paying custom duties. However, although the British did not officially trade in inland goods in the early eighteenth century, in practice there is evidence that they did on a limited scale.⁹

The extension of the political power of the Company after 1757 enabled the servants and free merchants to expand their involvement in the internal and, more significantly, inland trade of Bengal.¹⁰ The Company had already, by this date, freed themselves from the nawabs' courts, gained the right to trade duty-free and obtained the right to exercise coercive power over people that worked for them, but this influence, as Marshall points out, was restricted to Calcutta and to the Company's factories.¹¹ After this date, the Company's influence expanded into additional sections of Bengal, and with it the opportunity for private trade, which the private traders fully exploited. The nawabs did attempt to maintain their authority, as the conflict between Mir Qasim and the Fort William Council discussed in the last chapter showed; but in the territories ceded to the Company in 1757 and 1760 by Mir Jafar and Mir Qasim respectively, the nawabs ceased to exercise any degree of restraint over the private European traders at all.¹²

As Marshall describes developments in this area, the 'size of internal ventures [of the Europeans] grew spectacularly' after Plassey.¹³ European merchants had traditionally hired Indian agents (*gumashtas*) to manage their concerns outside Calcutta; their numbers grew after 1757, reflecting the increased level of European activity but, in addition, European agents also began to be utilised. For the purposes of this chapter, the increased involvement of high ranking Company

⁹ Ibid., pp. 108–12.

¹⁰ Internal trade of Bengal referred to the buying of goods for export and the selling of imports.

¹¹ These factories were located at Dacca, Kasimbazar, Patna, Balasore and Lakshmipur (ibid., p. 112).

¹² Ibid., pp. 112–14.

¹³ Ibid., p. 114.

servants in the salt trade is of significant importance due to the individuals involved, and the policies of reform that would follow. Henry Vansittart, who was appointed governor of Fort William after Clive returned to England in 1760, had a large stake in this trade, but his concern was in direct competition with other members of the Fort William Council, namely John Johnstone and William Hay. These two, in conjunction with Bolts, formed a commercial enterprise in March 1762 in order to exploit the opportunities presented by the salt trade. The rivalry of these two parties played a crucial role in the breakdown of the relationship between Mir Qasim and the servants.

In addition to the expansion of private trade into inland commodities, the authority of the nawabs was further undermined by the way that the trade was conducted. Firstly, the Company's trading privileges, namely its *dastak*, was used extensively even by 'Indians who had no real connection with the British'. Secondly, private traders also exercised the Company's right to deal with Indian workers and traders who did not fulfil their contracts directly, rather than relying on the nawabs' courts. This led to European trade being conducted in an oppressive manner, with agents of the European merchants using force to buy and sell goods to their advantage. It was because of the oppressive practices used by European agents that they were recalled to Calcutta in 1764 by the Council.¹⁴

Vansittart had attempted to broker an agreement with the nawab Mir Qasim regarding European involvement in inland trade, as the previous chapter showed. Hay and Johnstone however opposed the treaty that had been negotiated by him, and their defiance led to their dismissal by the directors in 1764 — Hay had already been killed by the time the orders reached Fort William, after fighting had erupted in Patna in 1763.¹⁵ Peace would only be restored by the Company's victory at Buxar in October 1764, in which Mir Qasim and his allies would be defeated.¹⁶ Yet, due to events that unfolded in London, Johnstone was subsequently reinstated; in England, Clive exploited the concerns of the Company's proprietors regarding events which were transpiring in Bengal to his advantage. With the aid of John Johnstone's supporters in

¹⁴ Ibid., pp. 116–18.

¹⁵ Also dismissed were Major John Carnac and Peter Amyatt (Sutherland, *East*, p. 116n2).

¹⁶ Kuiters, *British in Bengal*, pp. 87, 118.

London — the Johnstone Group, a powerful faction in Court of Proprietors — Clive was successful in regaining the advantage in the Company in London from his rival, Sullivan. Clive also secured the continuation of his jaghire and appointment to the post of governor of Bengal (for a second time) with extensive powers. Ironically, the actions that Clive would take in Bengal as governor would lead to Sullivan's return to power in 1768.¹⁷ Johnstone was reinstated as a result of the manoeuvrings in the Court of Proprietors that accompanied Clive and Sullivan's battle; a motion for restoring John to his seat on the council was put forward by Johnstone's supporters in the General Court, and neither the parties of Sullivan nor Clive opposed it due, respectively, to their desire of gaining, and fear of losing, the support of this significant faction.¹⁸

Upon Clive's return to Bengal, he set about reforming the Company's affairs — his reforms were responsible for creating discontent amongst the Company's military and civil servants. One of the first problems that Clive encountered was Johnstone and Ralph Leycester's objection to the powers that Clive had been given, and to the establishment of a select committee in Calcutta. Clive overrode the objections, but his uncompromising approach did nothing to dispel the tension. Before Clive's arrival in May 1765, orders from London had been received by the Fort William Council ordering the servants to sign a covenant agreeing not to accept presents from Indian officials without the consent of the directors. This order was not executed, and Clive discovered that many of the servants had accepted 'presents' (bribes) from the nawab and Indian officials upon Mir Jafar's death and the succession of Najm-ud-Daula. As the select committee began investigating into the affair, individuals implicated — including Johnstone — resigned and returned to England;¹⁹ Clive recommended to the directors that Johnstone should be prosecuted once he returned home. In light of the support that the Johnstone faction had given to Clive in 1764, Johnstone's supporters felt that Clive had betrayed them, and were never to forgive him.

¹⁷ Sutherland, *East*, pp. 117–32, 136.

¹⁸ *Ibid.*, p. 131.

¹⁹ Khan, *Transition*, pp. 90–98; Marshall, *East Indian Fortunes*, pp. 172–75. The House of Commons Select Committee (set up in 1772 to inquire into the Company's affairs) later investigated the transactions that took place upon the accession of Najm-ud-Daula, see: *RCHC*, III, 304–12.

When Clive returned to England, members of the Johnstone group made use of every opportunity to harass Clive and cast doubt on his character.²⁰

Clive's military reforms also made him many other enemies such as the officers that resigned after Clive abolished the 'double batta' (field allowance). Yet, the most controversial part of Clive's reforms was his establishment of a Society of Trade. This was his solution for the abuses that had taken place in the inland commerce of Bengal, and at the same time, his acceptance that the servants required a necessary supplement to their income. The plan was that the Society of Trade would enjoy exclusive rights to deal in salt, betel nut and tobacco; profits from the venture would be shared amongst the senior servants of the Company — lower ranking servants, free merchants and Indians were excluded. The plan however was condemned by the directors who ordered the society to be disbanded — this order was belatedly implemented in 1768.²¹ To individuals who found themselves excluded from this lucrative trade, it appeared that Clive, and his successor Harry Verelst (1734–1785), were attempting to protect the interests of senior servants, rather than providing an 'equitable solution'.²²

As a consequence of Clive's and Verelst's policies, there existed in England, by the late 1760s, a number of former servants of the Company and free merchants who had personal grievances against the organisation. They were prepared to publicise their discontent in print, and work with each other to gain restitution. By far the most significant individuals, in terms of the publication and dissemination of their works, were Dow and Bolts. The former had been implicated in the batta mutiny, whilst the latter had been Johnstone's business partner. Bolts had remained in Bengal after Johnstone had returned to England, but was then forcibly deported from the sub-

²⁰ On his return to England, John Johnstone wrote (in his defence): *A Letter to the Proprietors of East India Stock from John Johnstone Late One of the Council at Calcutta Bengal* (London, 1766); The Johnstone Group worked with Henry Vansittart and Laurence Sullivan's group (who were also hostile to Clive) to ensure the case against John was not pursued; this was achieved by May 1767, see: Sutherland, *East*, 140, 171, and M. M. Stuart, 'Lying under the Company's Displeasure', *South Asian Review*, 8, 1 (1974), 43–53 (p. 50). Clive (in a paper drawn up with the intention of being given as evidence to the House of Commons Select Committee in 1773) argued that the directors' practise of beginning prosecutions and then dropping them was the cause of the Company losing control over its servants in India, see: OIOC, MSS Eur. E12, p. 69.

²¹ M. E. Monckton Jones, *Warren Hastings in Bengal: 1772–1774* (Oxford: Clarendon Press, 1918), pp. 58–59; Marshall, *East Indian Fortunes*, pp.130–37. See also: Kuiters, *British in Bengal*, pp. 88–89.

²² Marshall, *East Indian Fortunes*, p. 137.

continent on the orders of Verelst, after Bolts had defied orders for him to leave Bengal upon his having resigned from the Company's service. At the time that he was deported, he had been elected as an Alderman of the Mayor's Court in Calcutta; this gave him rights to reside in India without the Company's consent. The latter fact, and doubts regarding the legitimacy of the steps Verelst had taken in deporting Bolts by force, provided Bolts with ample ammunition by which to attack the Company in London.²³

Back in England, Bolts cooperated with his former business partner John Johnstone who was supported by the powerful Johnstone Group. Besides the influence it wielded in the Court of Proprietors, two of John's brothers (George and William — the latter had changed his surname to Pulteney) were also Members of Parliament. It was around this group that many of the dissident voices came to be loosely united. Lieutenant John Petrie was another figure who had been dismissed by Clive and returned to Britain at the same time as Bolts; he had been John Johnstone's acting attorney in India, and he had collected information against Clive and Verelst, which in 1771 he presented to the directors.²⁴ Both Petrie and Bolts provided John's brother, George, MP for Cockermouth (1768-1774), with information on which he based his attacks on Clive — both in parliament and in the press.²⁵ In addition, Sullivan actively recruited the support of disaffected individuals in order to bolster the base of his support in the Court of Proprietors.

George Johnstone will feature prominently in the following chapter. Here a large part of the focus will fall on writings that expressed the same viewpoints as Bolts and Dow — namely that the Company was incapable of governing Bengal. During the time in which the writings under discussion here were published (1769–1773), Indian affairs had come to the fore of British

²³ Kuiters, *British in Bengal*, chs 10, 13.

²⁴ Petrie's allegations against Clive and H. Verelst are contained in OIOC, MSS Eur. F218/23; Verelst's counter allegations in a letter addressed to the Directors are also contained therein. Verelst also wrote a book, *A View of the Rise and Progress and the Present State of the English Government in Bengal* (1772), defending his conduct in response to Bolts' work, but the latter's work was more widely circulated, see: Patrick Tuck, 'Introduction', in *The East India Company 1600-1858*, vol. III, ed. Tuck (London: Routledge, 1999), p. xiv.

²⁵ Tuck, 'Introduction', p. xiii; see George Johnstone's attack on Clive in his speech during the debate in the Commons on the East India Judicature Bill (30 March 1772), which is reproduced in *Parliamentary History*, vol. 17, pp. 366–80. In addition, Bolts also introduced George to another recently returned figure from Bengal, Richard Whittall, who also claimed to have incriminating evidence against Clive and the Fort-William select committee. See: Kuiters, *British in Bengal*, p. 230n14.

political debate. The writings of Bolts and others played their part in publicising the Company's problems, but news of continued instability in India at this time, and the Company's financial difficulties, also raised the profile of Company affairs. In 1769 news of the Company's losses against Haidar Ali had reached London causing a fall in the Company's stock. This had grave financial implications for many prominent individuals in the Company in London; in addition, given that the Company had acquired an enormous source of wealth in 1765, the fact that it needed to ask the government for a loan by 1772, led to a broad consensus that 'something' had to be done regarding the Company's affairs. What that something should be was not so clear.²⁶

Undoubtedly individuals, such as Bolts, had personal axes to grind in attacking the Company, but the arguments considered here were clearly more than the ravings of self-seeking men. They constructed sophisticated arguments and drew upon enlightenment debates in order to demonstrate the unsuitability of the Company to rule Bengal. Some of the works under consideration in this chapter are well known to contemporary scholars, but their arguments have never been sufficiently analysed. Consequently, a gap exists in our knowledge of the full range of ideas which informed the development of the reform of the Company in this period. The 1773 legislation may not have embodied the extreme stances advanced here, but the arguments put forward formed part of the spectrum of contemporary political argument, and for that reason deserve to be recovered.

II. Despotism

The influence of Montesquieu can be found throughout the range of constitutional and imperial debates in Britain in the second half of the eighteenth century. Debate about the status and rights of the East India Company was no exception. In the *Spirit of the Laws*, Montesquieu provided a definition of despotism that would become widely used in this period.²⁷ He had argued that

²⁶ Burke argued that the 1773 Regulating bill had been 'forced in at the end of a fatiguing session, by the unfortunate words, *do something*', 'Speech on East India Regulating Bill' (10 June 1773), in *Writings and Speeches*, II, p. 396.

²⁷ Sharon Krause, 'Despotism in the *Spirit of Laws*', in *Montesquieu's Science of Politics: Essays on 'The Spirit of the Laws'*, ed. D. W. Carrithers et. al. (Oxford: Rowman, 2001), p. 233. One of the sources of Montesquieu's theory of despotism was contemporary travel literature. See also Voltaire's denial of oriental despotism, which he developed, as Pocock points out, to counter Montesquieu's implicit attack on the despotism of the French monarchy, see: Pocock, *Barbarism and Religion*, II, pp. 110–12.

‘when the savages of Louisiana want fruit, they cut down the tree and gather the fruit. There you have despotic government’.²⁸ The point that Montesquieu sought to convey by this analogy was that a despotic government strove to gratify its whims without considering the long term prosperity of its subjects — a despot sacrificed his long term interest for a transient gain.

In the ancient Greek usage of the term ‘despotism’, it had meant the rule of a master over a household of slaves; later, Tacitus had designated certain Roman emperors’ rules as despotic, wanting to suggest thereby that they ‘treated Rome as if it was their private property’.²⁹ Aristotle had used the term ‘tyranny’ to describe the abuse of political power, while despotism was legitimate authority exercised over slaves.³⁰ In the seventeenth century, theorists in France had used the concept to describe the French monarchy’s growth in power at the cost of the nobility’s privileges.³¹ By the time that Montesquieu was writing, the concept of despotism was no longer distinct from tyranny;³² neither did Montesquieu subscribe to a notion of ‘slaves by nature’.³³ He stated that despotism was a government of one with no laws.³⁴ It referred to a rule that reduced the people to a condition of slavery, rather than being a form of rule necessary for governing slaves.³⁵

The analogy that Montesquieu provided of a despotic government being akin to the savages of Louisiana cutting down a tree to obtain its fruit referred to the policy of a despotic ruler. The despot was only concerned with his immediate interest, which was why Montesquieu argued that under despotism the ‘preservation of the state is only the preservation of the prince, or rather of the palace in which he is enclosed’³⁶ — his interest did not extend beyond maintaining his own possessions. Montesquieu described the principle (which was the ‘human passions that set’

²⁸ Montesquieu, *Spirit*, p. 59.

²⁹ R. Boesche, ‘The Politics of Pretence: Tacitus and the Political Theory of Despotism’, *History of Political Thought*, 8, 2 (1987), 189–210 (p. 197).

³⁰ Krause, ‘Despotism’, pp. 233–34; Boesche, ‘Fearing Monarchs and Merchants: Montesquieu’s Two Theories of Despotism’, *Western Political Quarterly*, 43, 4 (1990), 741–61 (p. 741).

³¹ Boesche, ‘Fearing Monarchs’, pp. 741–42.

³² For the development of the term despotism see Richter, ‘Despotism’, pp. 1–17. The fact that no differentiation was made between tyranny and despotism in this period can be seen in the *True Alarm*, where the Company’s actions are denounced as both mercantile despotism and mercantile tyranny, see: Anon., *True Alarm*, pp. 84, 92.

³³ Montesquieu, *Spirit*, p. 252.

³⁴ *Ibid.*, p. 10.

³⁵ Krause, ‘Despotism’, p. 235.

³⁶ Montesquieu, *Spirit*, p. 60.

the 'particular structure' (nature) of each government in motion) of despotism as fear — subjects remained obedient to the ruler because of their dread of him.³⁷ Montesquieu went on to argue that it was not the despotic prince that actually governed — he was too concerned with enjoying the pleasures of the seraglio; the day to day task of government was instead left to a deputy, a vizir. The vizir was given full authority — was the 'despot himself' — which was something that did not occur under a monarchy: 'he [a monarch] distributes his authority in such a way that he never gives a part without retaining a greater part'.³⁸ The immense power of the vizir, however, did not constitute a threat to the prince because he had no independent power; in addition, he remained fearful of the ruler: 'the head of the lowest subject must be safe, and the pasha's head always exposed'.³⁹ Consequently fear worked as a restraint on the power of the despotic prince's subordinate officials; but while the people may have been protected from the vizir, they remained exposed to the arbitrary justice of the ruler himself. In such a context there could be no security of life or property.⁴⁰

Montesquieu's description of a despotic regime remains incomplete without a consideration of the way that climate was believed, by him, to influence the behaviour of men. He contended that people residing in hot climates were naturally more subservient than people inhabiting colder ones — these he regarded as being more 'vigorous'. He explained this difference of disposition as being the result of the opposing ways in which hot and cold temperatures impacted on the human body.⁴¹ It was in the hotter climate that Montesquieu believed that 'despotism usually reigns'.⁴² He did not however suggest that despotism exclusively existed in the east, but rather argued that it was the type of government that 'most people' lived under as it was the easiest one to establish. Moderate governments, he contended, were 'a masterpiece of legislation' whereas despotism was based wholly on the passions.⁴³

³⁷ *Ibid.*, p. 21.

³⁸ *Ibid.*, pp. 20, 65–66.

³⁹ *Ibid.*, p. 28.

⁴⁰ *Ibid.*, pp. 28–29, 64–65, 73–74.

⁴¹ *Ibid.*, pp. 231–22.

⁴² *Ibid.*, p. 64.

⁴³ *Ibid.*, p. 63.

Despotism was only one of the three types of government that Montesquieu identified in his treatise; the other two were republics and monarchies.⁴⁴ The latter two, however, faced the possibility of degenerating into despotic regimes if their foundations were corrupted. Republican governments, which Montesquieu defined as ones where 'the people as a body, or certain families have sovereign power', required the existence of virtue.⁴⁵ Virtue here meant political virtue, which he described as 'love of the laws and the homeland' which required 'a continuous preference of the public interest over one's own'.⁴⁶ Where political virtue ceased to exist, the laws would be exposed to the danger of being overturned and it followed that despotism would come into being.

Montesquieu's third class of government, the monarchical one, was similar to despotism in that it was also a government by one, but differed crucially as the monarch ruled according to established laws, while the despot was free to follow his passions. What ensured that the laws were not violated was the existence of an intermediary subordinate power — the nobility — and a 'depository of laws'.⁴⁷ The functioning of monarchy also rested on the principle of honour, which animated individuals into pursuing the common good.⁴⁸ However the antithesis of despotism was properly neither monarchy nor republics and democracies, but rather moderate governments. This was a system of government where the separation of the powers of government, specifically the separation of the judicial from the executive and legislative powers, prevented the abuse of sovereign authority and thereby guaranteed its people liberty.⁴⁹ Moderate government, in other words, was one where the ruler could not act according to his desires, but was constrained by the constitutional arrangements of the state. This gave the citizen security of both life and property: 'political liberty consists in security or, at least, in the opinion one has of

⁴⁴ Ibid., p. 10.

⁴⁵ Ibid., pp. 21–22 (although, he pointed, out that virtue was less necessary under an aristocracy than under a democracy, see pp. 24–25).

⁴⁶ Ibid., p. 36.

⁴⁷ Ibid., pp. 18–19; 600–01.

⁴⁸ Montesquieu described the principle of honour 'like the system of the universe, where there is a force constantly repelling all bodies from the centre and a force of gravitation attracting them to it. Honour makes all parts of the body politic move; its very action binds them, and each person works for the common good, believing he works for his individual interest' (ibid., p. 27).

⁴⁹ Ibid., pp. 155–57. 'Political liberty in no way consists of doing what one wants. [...] Liberty is the right to do everything the laws permit' (ibid., p. 155).

one's security'.⁵⁰ The significant point was that the political system prevented the existence of despotism rather than the virtue of the ruler; failure of the system meant that despotism — an arbitrary form of government — could come into existence.

The threat of despotism to the British political system was a preoccupation of thinkers and politicians throughout the eighteenth century. The perceived consequences that the British acquisitions in India, and government intervention in Company affairs, had upon the British constitution will be considered in the following chapter. However in the wider British political debate of the time, as has been explored by H. T. Dickinson, there was a close alignment between political liberty, property and the British constitution. The establishment Whigs sought to justify limited political participation in terms of the aim of government being to preserve private property. It was only men of property, theorists of this persuasion argued, that had the required independence and civic virtue which enabled them to exercise power without being tempted to attack the property rights of others. In order to maintain the current order, it was argued that the existing British balanced constitution should be defended because it was calculated for upholding liberty.⁵¹ The virtues of the British constitution had also been famously celebrated by Montesquieu, whose ideas were utilised by opposition groups in Britain; the arguments formulated by such groups, often dubbed 'vulgar' Whigs as a consequence of their stark opposition of despotism to liberty, have been explored by Duncan Forbes. He argues that vulgar Whiggism not only regarded liberty as existing under a government by law, but also that 'liberty of any sort in civil society is impossible unless all people share in the making of laws and give their consent freely'.⁵²

For individuals that agreed with this particular vulgar Whig argument, including for example, Bolingbroke and Blackstone, such liberty was a peculiarly English achievement.⁵³ In Walpole's era, the opposition feared that corruption was threatening British liberty by undermining the balance of the British constitution. There existed a whole series of debates regarding the ways the

⁵⁰ Ibid., p. 188.

⁵¹ H. T. Dickinson, *Liberty and Property: Political Ideology in Eighteenth-Century Britain* (London: Weidenfeld and Nicolson, 1977), pp. 142–43, 128.

⁵² Forbes, *Hume's Philosophical*, p. 142.

⁵³ Ibid., p. 143, 143n1.

patronage exercised by the crown, and the existence of a standing army, undermined the independence of parliament; as well as debates about the impact that the growth of the monied interest and the perceived corruption of the manners of the people would have on British politics.⁵⁴ The debates that took place in parliament regarding the East India Company between 1767 and 1773, raised issues that were consonant with this broader, pre-existing, concern — the loss of British liberties and a decline into despotism. These dates also encompass the cries of ‘Wilkes and Liberty’ ignited by the expulsion of John Wilkes as MP for Middlesex in February 1769 after his election in March 1768. Interestingly however, some observers believed that East India affairs raised issues of greater constitutional importance than the Wilkes affair.⁵⁵

Yet while Wilkite protests associated their cause with ‘freedom’, Hume, for instance, regarded Wilkite agitation as detrimental to the very British liberty that it purported to uphold. Liberty was, Hume argued, ‘the perfection of civil society’, but authority was also necessary to its existence; in all governments, he contended, authority and liberty continued in ‘intestine struggle’ without either ever prevailing, but the excessive liberty associated with Wilkes would plunge Britain into disorder and eventually an absolute government.⁵⁶ Montesquieu as well, in a way that vulgar Whigs did not recognise, regarded British liberty as precarious.⁵⁷ The opposition’s connections between the violation of the Company’s property rights and harm coming to the British political system opened up another front from which it appeared that British liberties were under attack. During the debates on the East India Dividend Bill, Edmund Burke argued that the proposed measure of restricting the rise of the Company’s dividend was an ‘arbitrary Regulation’; he went on to state that the defining difference between ‘Law and Freedom from Violence and Slavery’ was that property (as long as it had not been ‘forfeited’ by ‘delinquency’) could not be taken away from a subject by ‘any power or authority whatsoever’.⁵⁸

⁵⁴ See *ibid.*, pp. 195–98.

⁵⁵ Cf. Anon., *True Alarm*; [Samuel Johnson], *The False Alarm* (London, 1770).

⁵⁶ Hume, ‘Of the Origin of Government’, in *Essays*, pp. 40–41; Hume, ‘Whether the British Government Inclines More to Absolute Monarchy or to a Republic’, in *Essays*, pp. 52–53; Forbes, *Hume’s Philosophical*, pp. 190–92.

⁵⁷ Montesquieu, *Spirit*, p. 166; Forbes, *Hume’s Philosophical*, p. 165.

⁵⁸ Burke, ‘Speech on East India Dividend Bill’ (26 May 1767), in *Writings and Speeches*, II, p. 65.

Burke made a similar point in 1773 when North's East India Resolutions were under discussion. Lord North had argued that the territorial acquisitions and revenues of the Company rightfully belonged to the crown, but for practical reasons, the management of the possessions should continue with the Company for the next six years.⁵⁹ North's resolutions were based on an assumption of the crown's rights to the territorial revenue in India — an assumption that Burke did not share. In response, Burke argued that North's proposals 'had the completion of the plan of despotism for their end' — that is, by appropriating the *Company's* property, the government made private property more generally insecure. The inability to possess property without the threat of violation was of course a feature of arbitrary regimes. Burke presented North's proposals as an attack on the liberties of the people.⁶⁰ These varied examples reflect the ways in which 'liberty' was identified within the British political system, and any potential threats to its balance were perceived as the encroachment of despotism — that is, 'despotism' was understood as the exercise of arbitrary power.

III. Imperfect Despotism

Scholars have noted the factual inaccuracies of Montesquieu's description of the British political system, but as C. P. Courtney has suggested, this should be seen as an 'ideal model' rather than a factual representation. The same is true of his analysis of the three types of government.⁶¹ Montesquieu stated that the springs of a republic, monarchy and despotism were, respectively, virtue, honour and fear, but it did not follow that people in each of the different kinds of regimes would act according to the appropriate springs.⁶² Montesquieu himself provided examples of the way that despotism existed as an 'imperfect' system in contemporary Asia — in practice, he acknowledged despotic power did not exist in the absolute way he had described; in reality, it was limited by factors such as religion and manners.⁶³ For example, while the Turkish prince could take the entire inheritance of a person, custom regulated that he only took three percent.⁶⁴ This difference between the theory of despotism, and existing governments which were denominated 'despotic', was to be of significant importance for the arguments put forward by

⁵⁹ Bowen, *Revenue*, pp. 162–63.

⁶⁰ Burke, 'Speech on North's East India Resolutions', in *Writings and Speeches*, II, pp. 392–93.

⁶¹ Courtney, 'Montesquieu and English Liberty', in *Montesquieu's Science of Politics*, p. 279.

⁶² Montesquieu, *Spirit*, p. 30.

⁶³ See for example: Montesquieu, *Spirit*, pp. 19, 61, 211; Richter, 'Despotism', pp. 8–9.

⁶⁴ Montesquieu, *Spirit*, p. 61.

both critics and supporters of Clive's dual system. Specifically, critics of the Company would contend that the Company's government of Bengal had given rise to a new breed of despotism.

The idea of a 'regulated despotism' pointed to the fact that there could exist different degrees of arbitrary government. Enemies of Clive recognised this fact and presented the Company's government of Bengal as the most extreme instance of a despotic regime. In addition to the way that despotism was used to denounce the practices of contemporary European governments, it was implicitly associated in this period with Islamic rule. This is demonstrated by the way that some of the individuals considered in this section felt that they had to preface their discussion with statements along the lines that Mughal, or Indian rule, was not as despotic as was popularly conceived.⁶⁵ The connection between despotism and Islamic rule was maintained by publicists of various political persuasions, but a distinction was drawn between the theory of despotism, and the actual 'despotic' government of the Mughals. These observers suggested that the governing system of the Mughals had been more humane than any conception of despotism which may have been familiar to an eighteenth-century audience — conceptions that would have been influenced not only by *Spirit of the Laws* but also Montesquieu's *Persian Letters*. Their point was that despotic Indian rule differed qualitatively from despotic Company rule. This section considers the ways in which the idea of despotism was utilised in relation to the sub-continent, and the significance of the distinction that was drawn between the theory of despotism and actual Mughal or Indian rule.

The term 'despotism' and its associated words — 'tyranny' and 'arbitrary power' — were all used to describe Mughal rule of India. But the usage of these terms in relation to the Mughal Empire — in the sense of their precise definition as the government of one by whim — rendered them obsolete as, for different reasons, the writers under scrutiny here were concerned with proving that Mughal despotism was not arbitrary. Consequently the continued association of despotism with Mughal rule, by strict definition, failed to be an appropriate description of that government — at least in their *depictions* of Mughal rule. However, the fact that there could exist different degrees of despotism explains why the term continued to be used in relation to a range

⁶⁵ For example, it was argued by Anon., *Plan for the Government of the Provinces*, p. 6, that Bengal's Indian 'government was not so much abused as has been represented'.

of distinct regimes; for instance, 'despotic' Mughal rule was used favourably to oppose 'despotic' Company rule. Distinctions were also made between 'despotic' Mughal rule prior to the invasion of Nadir Shah in 1739, and the growing independence of 'despotic' local rulers after his incursions. The exercise of power in all these instances differed from each other, but they were all labelled 'despotic'. These varied uses not only reveal that despotic government, in point of practise, existed in many different hues, but also suggests a useful distinction between despotism in theory and in practise. Without this distinction, the significance of accusations such as 'mercantile despotism' aimed at the Company and at Clive, are lost. Publicists who employed this term were suggesting that despotism in fact was limited, but the Company, because of its unique position — that of it being both sovereign and merchant simultaneously — had broken this mould and exercised despotic power to an extent that had hitherto had only a theoretical existence.

The point that despotism could exist in different degrees, and could actually be seen as a legitimate government, was an existing strain of wider Enlightenment political thought of the time — exemplified, for instance in the writings of Hume. A consideration of his thought reveals the kind of despotic regime that could be considered acceptable, and consequently the foundations on which the mercantile despotism of the Company was condemned. He argued that no ruler actually enjoyed unrestricted power, but, also significantly, that liberty did not exist without limitations; in every government, he stated, there existed a constant 'struggle' between authority and liberty: 'neither can ever absolutely prevail in the contest. A great sacrifice of liberty must necessarily be made in every government'; but, at the same time, authority — that restricted liberty — could not be 'entire and uncontrollable'. Consequently, the rulers of Turkey and France, both examples of 'despotic' rulers (but not of the same degree), found that their power was not wholly unlimited.⁶⁶ Hume then went on to further define his understanding of the terms 'despotism' and 'liberty' by drawing a distinction between his usage of the terms, and that of (what Hume regarded as) vulgar Whigs such as Wilkes. In Forbes' analysis of vulgar Whiggism, he points out that its adherents at times displayed a belief that there was no difference between the regime that existed in Turkey, and that which was current in France. Hume

⁶⁶ Hume, 'Origin of Government', p. 40.

attempted to show that there was indeed an important difference between the two, and further, that the gap between the 'free' government of Britain and the absolute monarchies of Europe was no longer as significant as it had been in the past.

Hume argued that 'barbarous' monarchs (and the examples he gave were drawn from the east) enjoyed arbitrary power, and delegated the same authority, 'unrestricted', to their subordinate officials.⁶⁷ 'Civilised' monarchs, on the other hand, exercised absolute power ('not bounded by any thing but custom, example and the sense of his own interest), but their deputies, by contrast, were governed by 'general laws'.⁶⁸ Under the latter type of government, inhabitants could enjoy security of life and property; such governments could 'answer most of the ends of political society' — which, in his *Enquiry*, Hume identified as 'liberty and security of the individual under the rule of law'.⁶⁹ Hume regarded both these types of government as being 'despotic', but in the case of the civilised monarchy, the term 'despotism' did not carry any negative connotations. It simply denoted the exercise of absolute power, as it was utilised by, for instance, Blackstone.⁷⁰ However, it was precisely because Hume's contemporaries did not always use the concept of 'despotism' in its neutral sense that he changed the title of his essay 'Of Liberty and Despotism' to 'Civil Liberty'.⁷¹

Hume's civilised monarchies referred to European ones, and his understanding of them reveals the kind of 'despotic' regime that could be regarded as legitimate. Hume believed that in modern times, the civilised monarchies had undergone a significant degree of improvement. Their 'perfection' had led them to develop a system of government by law, and advance in the arts and sciences — all enabled, however, by the progress made in 'free' governments.⁷² Hume believed that barbarous regimes could never have begun the process of refining their system of government, by themselves, because they did not recognise the benefits of laws; instead it was presumed that full discretionary power invested in every magistrate was the best way of

⁶⁷ Hume, 'Of the Rise and Progress of the Arts and Sciences', in *Essays*, p. 116.

⁶⁸ *Ibid.*, p. 125; Forbes, *Hume's Philosophical*, p. 157.

⁶⁹ Hume, 'The Rise of Arts and Sciences', p. 125. See also: Forbes, *Hume's Philosophical*, p. 153.

⁷⁰ Parliament was described as 'the place where that absolute despotic power, which must in all governments reside somewhere, is entrusted by the constitution of these kingdoms', (William Blackstone, *Commentaries on the Laws of England*, 4 vols (Oxford, 1765–69), vol. 1, p. 156).

⁷¹ Forbes, *Hume's Philosophical*, p. 156.

⁷² Hume, 'The Rise of Arts and Sciences', p. 125.

governing.⁷³ Under such conditions, the people were reduced to a state of servitude, and consequently no advances could be made in the arts: 'the same barbarism and ignorance, with which the government commences, is propagated to all posterity, and can never come to a period by the efforts or ingenuity of such unhappy slaves'.⁷⁴

It was only under free governments that the requisite conditions prevailed under which progress could be made in the perfection of civil society. As Hume argued: 'though a republic should be barbarous, it necessarily, by an infallible operation gives rise to LAW [...]. From law arises security: From security curiosity: From curiosity knowledge'.⁷⁵ The reason why European monarchies came to be 'civilised', Hume argued, was by imitating advances pioneered in free states.⁷⁶ In modern times, he believed that European monarchies had advanced to such a degree that they could be described as a '*a government of Laws, not of Men*', encouraging learning, industry and providing security of property; they still fell short 'in gentleness and stability' to 'popular ones', but Hume conjectured that the two would be brought into greater 'equality' by the growth of public debt — the inability of popular governments to cancel debt would render them more unstable than absolute ones.⁷⁷

The distinction between absolute-civilised monarchies and arbitrary-barbarous ones, demonstrates that despotism was not the monolithic concept that Montesquieu had suggested by the analogy of savages cutting down a tree to obtain its fruit. Hume had presented the former as a legitimate form of government because it secured its inhabitants protection from arbitrary power; Sir James Steuart also argued in his *Inquiry* that a people could enjoy liberty where they were governed by laws that could only be altered in 'a regular and uniform way'; he went on to state: 'according to this definition of liberty, a people may be found to enjoy freedom under the most despotic forms of government'.⁷⁸ Such varied usages of the term despotism by the

⁷³ Ibid., p. 124.

⁷⁴ Ibid. See also p. 117.

⁷⁵ Ibid., p. 118.

⁷⁶ Ibid., p. 125.

⁷⁷ Hume, 'Of Civil Liberty', in *Essays*, pp. 94–96.

⁷⁸ James Steuart, *An Inquiry into the Principles of Political Oeconomy*, ed. Andrew S. Skinner, 2 vols (Edinburgh & London: Oliver & Boyd, 1966), pp. 206–07. The connection between absolute monarchy and despotism was also rejected by Voltaire, see: Pocock, *Barbarism and Religion*, II, p. 75.

enemies of Clive can be found in the anonymous pamphlet *Plan for the Government*.⁷⁹ Its author's overall intention was to provide principles on which he thought that Bengal could be governed without being despotic — that is, arbitrary. The author stated very clearly that he considered the Mughal Empire to be despotic: he argued that the Indians were as happy as they could be 'living under despotism'.⁸⁰ Yet, at the same time, he suggested that the Mughal government was a limited one;⁸¹ clearly, the idea of despotism as a whimsical regime was not the type of despotism under which, he believed, the Mughal Empire had subsisted.

Instead, the *Plan for the Government* argued that the Mughal rulers had tempered despotism by separating the fiscal power from the civil and military offices. They had also fixed the amount of rent that it collected 'in the Emperor's books':⁸² 'so that the husbandman was allowed to draw more of the profits of his industry in India, than he ever was, or is allowed to do in Europe'.⁸³ The Mughal Empire did display features that were consistent with the concept of despotism (as stated by Montesquieu), for example, that the officials of the Empire were kept in check by the fear of the emperor, and that the people did not feel secure in their lives or property,⁸⁴ but these features coexisted with others that were inimical to the concept — fixed rents and the powers of government at least divided if not separated. The point that this writer was making was that the Mughal Empire enjoyed some codes of government, and therefore was not, in practical terms, an absolute despotism. This point was in perfect accord with Montesquieu's argument that contemporary examples of despotic governments did not exist in the precise manner he had described.

⁷⁹ The author of this work was supportive of Bolts and George Johnstone, see Anon., *Plan for the Government of the Provinces*, pp. 12n, 15n.

⁸⁰ Anon., *Plan for the Government of the Provinces*, p. 6.

⁸¹ A similar idea was expressed by Dow (despite the fact that he considered Islam 'peculiarly calculated for despotism'): 'the despotism of Hindostan, it ought to be observed, was never a government of mere caprice and whim. The Mahommedans carried into their conquests a code of laws which circumscribed the will of the prince'. *History*, III, pp. xiii, lii; in the same manner, Archibald Keir argued that the manners of the Bengalis had functioned like laws before the Company's take over of power, thereby regulating despotism (*Thoughts on the Affairs of Bengal* (London, 1772), pp. 13–14). In addition A. B., *A Letter to the Right Honourable Lord North etc. on the Present Proceedings Concerning the East-India House* (London, 1773), pp. 12–13, argued: 'India became lawless from the moment she passed under our government; the sceptre, wrested from the gentle grasp of Asiatic despotism, was thrown aside, and rods of iron put into the hands of British barbarians'. See also: Montesquieu, *Spirit*, pp. 461–62, where he suggests that Islam is designed for despotism whereas Christianity is 'suited' to moderate governments.

⁸² Anon., *Plan for the Government of the Provinces*, pp. 3–4, Scrafton cited as an authority.

⁸³ *Ibid.*, pp. 3–4, Bolts cited as an authority.

⁸⁴ *Ibid.*, p. 5–6.

The *Plan for the Government* constructed an image of the Mughal Empire as a regulated despotism in order to differentiate between the mercantile despotism of the Company and the corrupted system of the nawabs. He argued that the Mughal government which had prevailed prior to the invasion of Nadir Shah in 1739, had become corrupted by the invasion — the people had been plunged into a greater despotic system. It was this corrupted system that the Company came to possess and uphold in 1765. After the Persian invasion, he explained, local administrators (*subahdars*) had exploited the confusion it wrought to become virtually independent, and to amalgamate the offices of *diwan* and *subahdar*. These new rulers had then increased the taxes on their subjects in order to maintain their new armies. The result of this had been that the ‘landed interest’ of these new states had disappeared, and with them the protection they had given to farmers from oppressive officials. In their stead, there appeared a new ‘monied interest’ which began oppressing the farmers and manufacturers. These new local rulers had subsequently begun squabbling amongst themselves, and the Europeans had exploited these ‘dissensions’ for their own benefit — in Bengal, the East India Company benefited by obtaining power.⁸⁵ Upon becoming the *de facto* ruler, the Company, he argued, had not reformed the corrupted system or implemented a new one, but allowed the continuation of the distorted Mughal system and its abuses — as well as creating additional ones.⁸⁶ This was a clear indictment of the settlement achieved by Clive in 1765 as well as the governorship of Verelst. Clive, while he had accepted the post of diwan for the Company, had left the actual administration in native hands: there had been a change of power — not a change in the system.⁸⁷

The *Plan for the Government* considered the rule of the nawabs, such as that of Siraj-ud-Daula, as illegitimate and referred to them as ‘usurping’ princes.⁸⁸ It was however the Company’s government of Bengal, consisting of a president and a council, where the three powers of government were concentrated in one body, that constituted ‘a complete system of despotism’.⁸⁹

⁸⁵ Ibid., pp. 6, 7–9. Luke Scrafton set out a similar trajectory, stressing that before the invasion, merchants were no where better protected than in India (*Reflections on the Government of Indostan*, (London, 1770), BL, OIOC Tract vol. 61, pp. 25–26).

⁸⁶ Anon., *Plan for the Government of the Provinces*, p. 10.

⁸⁷ Travers, ‘Contested Notions’, pp. 47–48.

⁸⁸ Ibid., p. 11.

⁸⁹ Ibid., pp. 14–15; Montesquieu, *Spirit*, p. 157.

The writer went on to suggest how Company despotism could be reformed, and in so doing he revealed the kind of 'despotic' regime that was acceptable for governing Bengal. He argued that since it was not possible for the nawabs to retain their powers without the Company's interest being compromised, 'a single government should be established in your Company, but cloathed in the old forms of an Indian government'.⁹⁰ The Company, as the ruler, could 'gain the affection of the natives' by restoring the 'condition' of the Indians 'as far as is consistent with good policy...back to the easy state which they enjoyed before the Mogul empire was overturned'.⁹¹ He drew on the argument, central to the *Spirit of the Laws*, that laws had to relate to the manners of the people and stated that the best system of government that the Company could frame, with the legislative assistance of the British government,⁹² was one that conformed to the Indians' old system of rule. For this end he recommended the collection of Indian laws into codes for the use of administrators.⁹³ His recommendations would not stop the regime from being 'despotic' but it would bring it into line with the kind of regimes associated with the absolute monarchies of Europe described by Hume: personal security and government by law would all be guaranteed.

The excesses of the Company's rule of Bengal was brought into focus by the presentation of the Mughal Empire as enjoying a regulated government. Yet it also served to make the principle that laws had to suit the manners of the people an applicable one. If arbitrary governments based on whim were illegitimate forms of government, then they could not form the basis of a legitimate regime that the Company wished to construct in Bengal; on the other hand, if Mughal government was not, in fact arbitrary, then its forms could be appropriated by the Company to govern the acquired territories.⁹⁴ Luke Scrafton, who wrote to defend Clive and his colleagues'

⁹⁰ Anon., *Plan for the Government of the Provinces*, p. 13.

⁹¹ Ibid., pp. 13–14.

⁹² Ibid., p. 41. This author did not suggest that the rights to the revenue of Bengal belonged to the crown, but he did argue that the public had a right to a share of the revenue as 'the public defends you [the Company] by its fleets and its armies'.

⁹³ Ibid., pp. 13, 24. Besides codes of law, he wanted Indian Courts to make use of British procedures; his precise ideas are set out on pp. 20–24. He went on to argue that 'these codes and forms of procedure will for a-while embarrass the natives of India, but they will soon find out, that these embarrassments are the price which they pay for the securities of their properties and persons', p. 25.

⁹⁴ Travers suggests that writers such as Dow refashioned Mughal government so that it became a system that was suitable for British rulers to administer. It was a way for theorists to avoid the contradiction of advocating principles of political liberty at home and a system of despotism abroad, while still ruling the Indians according to their customs. See: Travers, 'Contested Notions', pp. 25–26, 98.

actions in Bengal, drew on an image of Indian government as a regulated one for precisely the latter end. His analysis differed significantly from the previously considered pamphlet, but Scrafton's purpose was to defend Clive's settlement, whereas the *Plan* had used the same strategy to condemn it.

Firstly, Scrafton argued that the general category of despotism — that is, a system of rule based on the passions of the ruler, where the people were motivated by fear and where there was no security of property — did not cover the condition of India:

I am amazed to see, that all writers have asserted, that there are no laws in this country [India]; that the land is not hereditary; and that the emperor is universal heir. I am ready to allow, there are no written institutes; no acts of parliament; and there is no power to controul the emperor; but I must assert, that they proceed in their courts of justice by established precedents; that the lineal succession, where there are children, is as indefeasible here as in any country that has no check on the supreme power.⁹⁵

He went on to state that the Tartar conquerors, although they had few laws to govern themselves, because of their 'roving life', nevertheless distinguished 'the use of them in the countries they conquered', which was why they had left the local laws in force after their gradual conquest of India.⁹⁶ The claim that the conquerors had left local laws in operation, rather than instituting new ones, was crucial to Scrafton's argument, because he claimed that it was the 'foreign' Mughal system that was despotic, not the pre-existing 'native' one.

It was the continued existence of Hindu laws, even after the Muslim conquests, which ensured, in Scrafton's opinion, that India had escaped the full rigours of despotic rule, although he did not employ the term 'despotism' itself. He argued that Islamic laws had not spread further than the capital cities of the Mughal Empire, and this was the reason why India had continued prosperous.⁹⁷ Throughout his *Reflections* Scrafton displayed deep animosity towards Muslims arguing that the 'Moors' were of the most 'detestable character', a character that he stated was

⁹⁵ Scrafton, *Reflections*, p. 24.

⁹⁶ *Ibid.*

⁹⁷ *Ibid.*, pp. 23–24. Montesquieu had said that it was 'useless' to talk about commerce under 'the despotic state'; he laid it down as a 'general rule' that 'a nation that is in servitude, [...] works more to preserve than to acquire' (*Spirit*, p. 341).

formed in the seraglio — a place of ‘perfidy and sensuality’.⁹⁸ This harangue against the Muslim character also served a purpose in Scrafton’s argument which was ultimately to justify the transactions that occurred in Bengal during the period 1756–7. He argued that given the treacherous character of the Muslim rulers, the servants in Bengal had had no choice but to form an alliance with Mir Jafar against Siraj ud-Daula.⁹⁹

The *Plan for the Government* used the idea of a regulated despotism to make the point that Clive’s dual system was worse than existing examples of despotic rule. Scrafton formulated another version of the ancient constitution, which predated Muslim rule and used it to enforce the point that it was the inherent treacherousness of the Muslim nawabs, that had led the servants ultimately to take power. In either case, the application of the term ‘despotism’ to Indian rule, whether Mughal or Hindu was, according to its definition as a wholly capricious government, a misnomer. Montesquieu had provided a short example of the policy of a despotic government but that did not fit the presentations of Indian rule explored here. He had, in any case, also claimed that despotism in reality was tempered in various ways. In addition, he and Hume had also shown how absolute government was consistent with security of life and property. This was an argument that was employed by the *Plan for the Government*, and it was an idea central to the plans of reform that were put forward at this time.

Montesquieu’s definition may only have been intended as a theoretical construct, but enemies of the Company claimed to have discovered an actual example: the Company’s government of Bengal. Dow argued that when the nawabs began to rule their provinces independently, they had practised oppressions, but they had had the ‘sense [...] to see, that their own power depended upon the prosperity of their subjects’, hence they had maintained an adequate judicial system. By this measure, they had ensured the continuing prosperity of their provinces and provided

⁹⁸ Scrafton, *Reflections*, pp. 21, 19–20; for his opinion on the character of the Hindus see pp. 3–17. The writer of the Anon., *Plan for the Government of the Provinces* had not made this distinction between Hindu and Muslim government.

⁹⁹ ‘Whoever considers human nature will easily perceive, that the harmony between the Soubah and us was liable to many interruptions. As the brute creation retain no longer their affections for their parents than while they need their help to nourish them, so the Soubah, now feeling his own strength, forgot the authors of his greatness. He seemed to look on us rather as rivals than allies; and his first thoughts were, how to check our power, and evade the execution of the treaty’ (Scrafton, *Reflections*, pp. 98–99).

security, enabling the continuation of industry: 'commerce, manufactures, and agriculture, were encouraged; for it was not then the maxim to take the honey, by destroying the swarm'.¹⁰⁰ The *Present State of the British Interest in India* (1773) made the same point but by using another parable: 'A herd of hogs, broke into a well dressed vineyard, will gorge their voracious maws; but that which they eat and devour doth not destroy the vineyard, it is their manner of eating, their rutting up, their tearing down, and trampling under foot'. The *True Alarm* stated: 'Military conquerors devour the fruit, but these mercantile tyrants root up the tree'.¹⁰¹ Historically, despotic governments had been limited, but this was not true of the Company's government which was why it was designated by these critics as a new species of despotism.

IV. Mercantile Despotism

The categories of despotism and moderate governments as originally theorised by Montesquieu clearly influenced British political debate. With such a sharp distinction, opponents of the Company and its rule of Bengal faced an enormous ideological barrier in attempting to argue that the British government should take over the government of the acquisitions in India. A move like this required a justification for depriving the Company of its (albeit disputed) rights. The only circumstances under which any 'violation' could be acceptable was to demonstrate that the Company had forfeited its rights — as Burke had suggested, property could be 'forfeited' by 'delinquency defined by a known [law(?)]'¹⁰² — this is precisely what individuals such as Bolts and the author of *True Alarm* attempted to do. They argued that the British government should take over the responsibility of governing the territories on the sub-continent; this was something,

¹⁰⁰ Dow, *History*, III, pp. lxvii–lxviii; Adam Ferguson had similarly argued that the 'barbarous invaders' of India had not harmed the commerce of India; rather they, and their successors, had been content to 'foster the hive, in proportion as they taste more of its sweets' (*An Essay on the History of Civil Society*, ed. Duncan Forbes, (Edinburgh: Edinburgh University Press, 1966), p. 111).

¹⁰¹ Anon., *Present State*, p. 28; Anon., *True Alarm*, p. 85. See also A. B., *Letter to North*, p. 36. The *London Chronicle* (18 February 1772) quoted from Bolts, *Considerations*, as saying: 'while this nation is gazing after the fruit, the Company and their substitutes are suffered to be rooting up the tree'. In addition, Anon., *Reflections on the Present State*, pp. 20–21, argued that the Company held Bengal 'in more absolute vassalage than ever did the monarch of France the meanest of his Feudatories'. Clive also made a similar point (but in a different manner) in a letter to the directors in September 1765: 'the Necessity of securing the confidence of the Natives, is an idea I have ever maintained, and was in hopes would be invariably adopted by others; but Ambition, success, and Luxury, have, I find, introduced a new System of Politics, at the severe Expence of English Honour, of the Company's Faith, and even of common Justice and Humanity' (*FWIHC*, IV, p. 336).

¹⁰² Burke, 'Speech on East India Dividend Bill', in *Writings and Speeches*, II, p. 65.

as we have seen during the debates on the 5 April 1773, that North was not prepared to do. Nevertheless the rationale on which the Company could be replaced was clearly articulated at this time, and it is that rationale that this section will now consider.

The most widely circulated presentation of the Company's misgovernment of Bengal and consequently the basis on which the state should take over, was Bolt's *Considerations*.¹⁰³ Undoubtedly his argument was coloured by the alleged ill-treatment he had received at the hands of the Company in India, but that does not invalidate the perceptive points that he made. He argued that the Company, after accepting the post of *diwani* in 1765, had failed to recognise that the whole tenor of their responsibilities had been altered — they could no longer afford to act like merchants:

From a society of mere traders, confined by charter to the employment of six ships and six pinnaces yearly, the Company are become Sovereigns of extensive, rich and populous kingdoms, with a standing army of above sixty thousand men at their command. In this new situation of the society, so widely different from its original institution, their true commercial interests appear almost entirely misunderstood or neglected; and it may be safely said, there is scarcely any public spirit apparent among their leaders either in England or India.¹⁰⁴

Bolts suggested that, as a ruler, the Company had to take responsibility for the welfare of the Indians; they had to act with 'public spirit' and not be concerned with profits alone.¹⁰⁵ The Company's failure to alter its priorities meant that it was destroying what it most wanted to enhance: wealth. Bolts was criticising the Company for the way it was pursuing its interests — it was a way, in his opinion, that destroyed the possibility of future commerce by the destruction of the present traders. To continue this abuse, Bolts argued, in a manner that perfectly fitted Montesquieu's definition of despotic government, 'can no otherwise be considered than like the ideot-practise of killing the prolific hen to get her golden eggs all at once'.¹⁰⁶

¹⁰³ See Osborn, 'India, Parliament', pp. 121–23.

¹⁰⁴ Bolts, *Considerations*, pp. vi–vii.

¹⁰⁵ For an exploration of idea of public spirit in eighteenth-century political thought, see: J. A. W. Gunn, *Beyond Liberty and Property: the Process of Self-Recognition in Eighteenth-Century Political Thought* (Kingston: McQuill-Queen's University Press, 1983), pp. 11, 30, 267–71.

¹⁰⁶ Bolts, *Considerations*, p. 192. Steuart utilised this analogy arguing 'it is vain to think of a remedy without sacrificing the interest of Great Britain, and the Company itself to that of Bengal [...]. Not to kill the hen which lays the golden eggs, but to feed and preserve her' (*The Principles of Money Applied to the State of the Coin of Bengal: Being an Inquiry into the Methods to be used for Correcting the Defects of the Present Currency; for Stopping the Drains Which Carry off the Coin; and for Extending Circulation by the Means of Paper Credit*, in *The Works, Political, Metaphysical and Chronological of the late Sir James Steuart of Coltness Bart*, 6 vols (London 1805), V, p. 69). The anti-ministerial *Public Advertiser* (24 November 1772) satirising a banquet held by North's

Bolts endorsed the opinion expressed in the *True Alarm*¹⁰⁷ whose author designated the Company's government of Bengal a 'new and monstrous species of despotism, the mercantile one'.¹⁰⁸ The *True Alarm* saw the commerce and the recent acquisitions of the Company as a trust reposed in it by the nation for which reason, he believed, that the government had the right to interfere in the Company's affairs if the trust was abused — such as by being mismanaged. In any case, he did not believe that the territories could be managed by the Company because firstly, commerce was incompatible with the responsibilities of government, and secondly, the Company lacked the appropriate character to be a ruler. The interests of the nation demanded that the government took action: 'our sole aim is, with all due respect to arouse government to a just exertion of its legal authority'.¹⁰⁹

The *True Alarm* believed that the task of governing Bengal had to be separated from the Company whose primary object was commerce. In this respect, this writer shared the view of Bolts but was opposed to the stance of George Johnstone and the author of *Plan for the Government* who both did not endorse any radical change of the Company's structure; Johnstone harboured grievances against Clive, but he was not an enemy to the East India Company as a whole. The *True Alarm*, in common with the *Present State*, expressed views which in the parliamentary debates were similar to those of William Meredith who, by 1773, was aligned with the Chathams; as well as those of Burgoyne who chaired the select committee on Indian affairs. They were hostile to the Company and favoured greater government intervention in Company affairs, especially in light of the abuses circulating in the press. The idea of separating the commerce and government from the Company had also been espoused by Clive.¹¹⁰ What

government, described the dishes served as being equivalent to a weakness of the ministry; one of the dishes served was 'The Hen with the golden Egg: Killed in India'. Osborn interprets this to be a 'reference to the Company's resentment towards the State's regulation of its activities in India' (Osborn, 'India, Parliament', p. 94). Equally however it could represent exasperation with the government's failure to take decisive action over Indian affairs.

¹⁰⁷ See: Bolts, *Considerations*, pp. 214–15.

¹⁰⁸ Anon., *True Alarm*, p. 92.

¹⁰⁹ Ibid., p. 14; In addition, the *True Alarm* argued that the government should not be fearful of interfering 'by the clamour of a few wicked, or selfish individuals. Nor will the pretext of lenity, or delicacy of interfering with what is, by a previous grant of the nation, become private property, be at all admitted', p. 15.

¹¹⁰ Clive's plan for government of Bengal is summarised in John Bruce, *Historical View of Plans for the Government of British India and Regulation of Trade to the East Indies and Outlines of a Plan of*

connects these two pamphlets is the desire to provide the government of Bengal with a new, clear fountain head of authority: the British state.¹¹¹ The accusation of mercantile despotism was used to justify this end.

Mercantile despotism was the 'title' that the author of the *True Alarm* designated the Company's system of government of Bengal. He argued that all governments normally faced constraints on the exercise of power and Montesquieu had shown that this was also true of despotic governments. The Company, this writer argued, by contrast, did not face any restrictions on its governing powers and therefore was unfit to be a ruler.¹¹² It was this reality that had allowed mercantile despotism to exist. One way that the *True Alarm* identified the Company as enjoying unregulated power — and thus as differing from all other governments — was in its officials. The author argued that the servants of the Company in India, had no long term desire to remain in the country; their ambition was to make a fortune and return home. They were not interested in the task of governing, and they had not been educated for it. He stated that the servants arrived in India when they were young (sixteen years old), and then lived in an environment inimical to their intellectual development — it was a place where 'gaiety and jollity prevails'. Further, in the post-*diwani* period, the pace at which fortunes could be made had increased, and this had meant that advancement in the Company's service was achieved more quickly with many young

Foreign Government, of Commercial Oeconomy, and of Domestic Administration, for the Asiatic Interest of Great Britain (London, 1793), pp. 55–59. See also: *Lord Clive's Speech in the House of Commons, on the Motion Made for an Inquiry into the Nature, State, and Condition, of the East India Company, and the British Affairs in the East Indies, in the Fifth Session of the Present Parliament* (1772), pp. 1, 46–47, 54.

¹¹¹ Anon., *True Alarm*, p. 94; Anon., *Present State*, p. 104.

¹¹² Alexander Dalrymple's response to such criticisms was to argue that the Company's role as government was limited to implementing Indian laws and customs: 'the idea of the Company's Government does not extend to legislation. It takes up the Indians where it finds them, under a regular system of civilisation, secured by casts and religious ceremonies, and leaves them perfectly free in the exercise thereof; not assuming the power of enacting general laws, it can never promulgate the institute of destruction, by subverting the manners and customs of the Indians' (*A Second Letter Concerning the Proposed Supervisorship* (London, 1769), BL, OIOC Tract vol. 424, pp. 8–9). Dalrymple had been in the Company's service in Madras between the years 1752–68, where he had enjoyed the protection of Lord Pigot and the friendship of Robert Orme. He would be appointed hydrographer to the Company in 1779; in his writings, he espoused views that were associated with the Rockingham group. See: Andrew S. Cook, 'Dalrymple, Alexander (1737-1808)', in *ODNB*,

<<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/chapter/7044>> [accessed 30 Nov 2004].

people, as a consequence, being put in 'the highest trusts, in a very early time of life'.¹¹³ Therefore, not only did the servants lack interest in the government of Bengal, they were also ill-equipped to execute the trust, both in terms of training and experience.¹¹⁴ Such a state of affairs meant that power would be abused.

Another feature that the *True Alarm* found to demonstrate the deficiency of the Company's capacity as a ruler, was the way that selfish interests had come to motivate Company policy. The author did not regard the Company as a whole, as disreputable, but felt that its organisation had allowed a group of men to establish themselves in the Company and use its apparatuses to promote their private advantage: 'a wicked, ambitious, and avaricious cabal, of a few men [...] have been enabled by the defective constitution of the company, (defective, indeed, in respect of political government) and, by virtue of wealth, mostly plundered from those miserable foreign dominions, to establish a tyranny over the company itself'.¹¹⁵ He charged this cabal with following an interest that was opposed to the true interest of the Company and the nation, and of supporting 'the views of those men, which do thus exactly tally and coincide with their own'.¹¹⁶

The argument that the *True Alarm* put forward was similar to the one advanced against the perceived consequences of the increased influence of the crown, articulated for instance by Burke in his *Thoughts on the Present Discontents*. Burke suggested that the Court had formed a plan for undermining the independence of parliament and for governing the country 'without any concurrence on the part of the people; without any attention to the dignity of the greater, or to

¹¹³ Anon., *True Alarm*, pp. 35–36; the argument that the servants did not have the necessary education or experience to govern was also made by [Smith], *Observations*, p. 77.

¹¹⁴ Dow, demonstrating more sympathy than the author of the *True Alarm*, made allowances for the servants' inexperience, stating that Bengal was suffering from neglect due to ignorance, rather than deliberate misgovernment: 'falling upon the shoulders of men unexperienced in the regulation and management of the great machine of state, it was impossible for them to give the necessary attention to all departments. The multiplicity of affairs overwhelmed them [...] and the kingdom suffered more from a total want of system, than from any premeditated design' (Dow, *History*, III, pp. cvi–cvii). Burke similarly argued that 'men must be arbitrary' where there were 'no laws' to guide them, that is, given the Government's failure to provide the Company with a 'well-digested code of laws, for the rule of every man's conduct', it was not surprising that mismanagement had occurred ('Speech on East India Select Committee' (13 April 1772), in *Writings and Speeches*, II, p. 373). He also implied that the government had deliberately allowed the abuses in India to continue in order to provide themselves with a convenient excuse to appropriate the revenues of Bengal, see: *Parliamentary History*, vol. 17, p. 672. See also: *Annual Register*, no. 16, p. 64.

¹¹⁵ Anon., *True Alarm*, p. 161.

¹¹⁶ *Ibid.*, pp. 161–62.

the affections of the lower sorts'; for this end, Burke stated, the Court had formed a party, 'the Cabal', by which to further its interests.¹¹⁷ Burke went on to argue that it was not simply enough to ensure that the Prince governed 'according to law', but that it was also of 'equal importance' that the necessary discretionary powers that the ruler enjoyed, such as '*conducting the affairs of peace and war*', were '*exercised upon public principles and national grounds, and not on the likings or prejudices [...] of a Court*'.¹¹⁸ Hume had also pointed out that when a body of men acted together in politics, they could promote an interest contrary to the common one. He argued: 'if [...] the [...] separate interest be not checked, and be not directed to the public, we ought to look for nothing but faction, disorder, and tyranny from such a government'.¹¹⁹ Tyranny and disorder were precisely the results that the *True Alarm* identified with the avaricious cabal's ascendancy over the Company.

In its reference to a cabal, it is possible that the author of the *True Alarm* had in mind the Johnstone group, which had used their financial strength in the Court of Proprietors to prevent the prosecution of John Johnstone, and worked with other groups, such as Sullivan, to achieve this. It is also true that they had supported people like Vansittart who shared their enmity against Clive, and Bolts. In addition, they had used their influence to force a rise in the Company's dividend.¹²⁰ Clive's supporters too had used their influence in the Court of Proprietors to further his interest, specifically the continuation of his jaghire;¹²¹ however, given the proximity of Clive's views with this pamphlet, it is likely that the intended target was the Johnstone Group. It is clear that the *True Alarm* thought that the Company in London had become a forum for certain groups to further their interests. This was a defect of the Company's structure, but only in its capacity as an effective sovereign, not as a merchant; it did not have the 'constitution' to prevent private interests directing the policy of government

The intrusion of private interests in the sphere of government was not simply prevented by appropriate laws; 'normal' rulers were also restrained from abusing their powers by the fear of

¹¹⁷ Burke, *Thoughts on the Present Discontents*, in *Writings and Speeches*, II, pp. 259–61, 264.

¹¹⁸ *Ibid.*, p. 277.

¹¹⁹ Hume, 'Of the Independency of Parliament', in *Essays*, p. 43.

¹²⁰ Sutherland, *East*, pp. 140, 144, 171.

¹²¹ *Ibid.*, pp. 156–57.

rebellion on the part of their subjects. The *True Alarm* identified two parties, which had an interest in the good government of the provinces and that should have acted as a curbing influence on the Company: the first was the British nation, and the second was the Indian people. It was argued that the abuses of trade and power would not have occurred — mercantile despotism would not have been established — if both of these groups had been in a position to exert influence over the Company's servants. These potential restraints had not been realised as the first group, the British nation, had voluntarily abdicated its responsibility to the Company because of the belief that the trade to the East Indies was best conducted by a monopoly. These rights could be regained if the Company breached the trust reposed in it to conduct the trade in the interests of 'public utility'.¹²²

In the context of the Company's failure to manage its affairs, this author believed that the trust had been betrayed; the Company had failed in its duty to the nation, and the British government consequently had the right to interfere in the Company's affairs. The *True Alarm* went on to state that it was the British government's responsibility to ensure that the acquired territories were governed in the interests of the nation, rather than to the advantage of a cabal of merchants.¹²³ He argued that despite the settlement the state and the Company had negotiated in 1767 and 1769,¹²⁴ the British government could not absolve 'itself of the right to superintend, and carefully examine, the manner in which the company conducts the charge of that important branch of national concern'.¹²⁵

The second group, the Indians, had also failed to act as a restraint on the Company due to their disposition. This group was ineffectual because of their 'pliant' and 'submissively obedient'

¹²² Anon., *True Alarm*, pp. 6–8, 6n.

¹²³ The *True Alarm* had applied the criterion that all power was held in trust for the community by the ruler and had to be exercised in their interest, associated with John Locke, to the situation of the Company. In the same manner that power reverted back to the community when it was abused, so the British government had the right to take control when the Company failed in its responsibilities to the state. See Locke, *Two Treatises of Government*, ed. Peter Laslett (Cambridge: Cambridge University Press, 2000), p. 412. Colonel Burgoyne, who made the motion in parliament for a select committee to investigate Company affairs also spoke of the Company as being a trustee for the state, see: *Parliamentary History*, vol. 17, p. 457. The same is also true of Bolts, see: *Considerations*, p. 210.

¹²⁴ On the 1767 settlement, see: Bowen, 'Question of Sovereignty', pp. 155–76; on the 1769 settlement, see Sutherland, *East*, pp. 184–85.

¹²⁵ Anon., *True Alarm*, p. 5.

character.¹²⁶ This same point was made by the author of the *Present State*, who shared the views of the *True Alarm*:

For the inhabitants of those countries, being disposed by nature or climate to passive obedience, and by long custom habituated to despotic authority, and being further impressed with a particular awe of Europeans, from a notion of their natural superiority, implicitly submit to the will of their present government, without once daring to examine its right, dispute its authority, or question its conduct. The subject therefore holds not the smallest voice in the administration of government.¹²⁷

Both of these writers were clearly drawing upon the wider debate concerning the connection of manners and climate; the assertion that the Indians were mild and submissive, was repeated throughout the second half of the eighteenth century by various writers including Scrafton, Dow and Bolts. The *Present State* and the *True Alarm* were arguing that all rulers, to some extent, were contained by the resentment of their subjects, but given the state of Indian manners, this restraint on the exercise of power was wholly missing. The Company servants were 'superior to the resentment of the subject', and as a result could commit oppressive acts with impunity. The servants were also unrestrained by the opinion of their colleagues and family as 'glory' was associated with 'acquiring and bringing home a mighty fortune' — not in governing well.¹²⁸ The failure of these constraints — of the British nation and the Indians — had facilitated the new species of despotism.

All the failures of the Company's organisation that were identified by the *True Alarm* had their root in the Company's position as both *de facto* sovereign and merchant. The author argued that the corruptions would persist no matter what system of reform the Company initiated as 'the corruption is lodged in the head': 'let the company divide their substitution into twenty different degrees or orders, and let them distinguish each of those degrees by a different epithet, governors, supervisors [...]: this difference of title will make no matter of difference in the nature

¹²⁶ Ibid., p. 37. Sir William Meredith, during the debate on Burgoyne's motions relating to the conduct of Clive in India (10 May 1773), used arguments that were similar to the ones expressed in the *True Alarm*. He argued that 'mercantile avarice' was the principle of the Company's government in India, and that it had surpassed past examples of tyranny. He also argued that the Company servants did not care about the opinion of the Indians and 'so much in reverse are they of fear of shame, that their ambition is spurred by knowing that they are to secure honour...in proportion to the riches they bring home' (*Parliamentary History*, vol. 17, pp. 858–59).

¹²⁷ Anon., *Present State*, 20.

¹²⁸ Ibid., p. 31; Anon., *True Alarm* further reflected that if the governors in India were so negligent of their own masters' interests, to whom they were accountable, it could only be imagined how 'despotic' they would be towards the natives 'who possess neither the means nor the spirit to resent or repel injuries', pp. 43–44.

of things'. The Company in Bengal would remain 'the substitute government of a subject, sovereign, mercantile company'. The problem with the Company — the reason why its servants faced no restrictions — was, simply, that it had not been created for governing; its servants in India were under the command of the directors in London, and the Company, as a whole, was a subject of the British state. This subject however had become, to all practical intents, the sovereign of Bengal. In these terms the Company's government appeared not only ridiculous but also unconstitutional. The Company was subject to the British government, but had been acting 'like a haughty superior state'.¹²⁹

It was in order to correct this state of affairs that the *True Alarm* desired the British state to take on the government of Bengal for itself. He argued that the Company had been fully aware in 1760 that sovereignty was against its interest, which was why it had previously rejected the grant of *diwani*.¹³⁰ Now however, the Company was trying to maintain the pretence that it held the post of *diwani* as a grant from the Mughal emperor (who was the 'Mogul of only the English East India Company') to prevent the British state from appropriating it.¹³¹ In this author's mind, there was no doubt that sovereignty over the acquired territories and the revenue belonged by right to the state and it was time the state used its 'legal authority' before an asset of national importance was lost.¹³²

The *Present State*, in a similar fashion to the *True Alarm*, also shared the belief that the affairs of the Company were of national importance, and had only been 'leased [...] by government to the Company'.¹³³ The author of the *Present State* argued that the Company's mercantile character was what separated it from 'normal' governments. He stated that 'the idea of actual despotism in a supreme government is merely imaginary';¹³⁴ in other words, governments could not, in practice, be despotic as the power to govern was implicitly derived from the people.¹³⁵ History provided

¹²⁹ Anon., *True Alarm*, pp. 95–96, 160.

¹³⁰ Ibid., p. 96n. The grant of *diwani* had previously been rejected by Clive in 1758 and by Vansittart in 1761 (Travers, 'Contested Notions', p. 46).

¹³¹ Anon., *True Alarm*, p. 31

¹³² Ibid., p. 14.

¹³³ Anon., *Present State*, p. 9.

¹³⁴ Ibid., p. 21.

¹³⁵ By suggesting that power was implicitly derived from the people, the author avoided the notion of a contractual origin of government. This author argued that consent to a particular

examples of the way people revolted against a transgressing ruler — that is, a ruler who failed to promote the common good. He believed that the people were 'superior' to the actual ruler and acted as a restraining influence on him;¹³⁶ no such relationship existed between the Company (ruler) and the Indians (ruled) in Bengal. Another, more powerful restraining influence was the ruler's self-interest; this dictated that he took care of the welfare of his people:

For a government that is sovereign, and perpetual (or *durante vita* and hereditary) cannot possibly separate its own private interest from that of the community: and this is so evident, that no prince ever attempted to advance a distinct interest of its own, at the expense of the general weal, who was not a fool, before he became a tyrant. But a wise sovereign considers his people as the channel through which alone he can receive substantial good or evil.¹³⁷

A government, such as a hereditary monarchy, faced restraints on the exercise of its power, external controls, such as the fear of the resentment of its people and 'internal checks', such as its self-interest. A true despot on the other hand did not face these constraints; he did not fear the revolt of his people and his interest was distinct from theirs. This was precisely the condition of the Company's government — it was the 'only government that can, with propriety, be termed arbitrary and despotic'.¹³⁸

The final conclusion of the *Present State* was that the British government had to take over the responsibility of ruling, because only it was 'perfectly free from all the defects of the Company'. These defects, in sum, were the fact that the Indians did not dispute the authority, or question the conduct of the Company's government, because of their passivity, and the 'awe' in which they held the Europeans; the servants of the Company who were only interested in making their fortunes and therefore lacked the 'ability or power' as well as the 'will or inclination' to act as

government may not be 'specially expressed', i.e. in a contract, but it was 'perfectly understood' (Anon., *Present State*, p. 22). This was an idea that had been developed by the Court Whigs, see Dickinson, *Liberty*, pp. 129–30.

¹³⁶ Anon., *Present State*, p. 22. Similarly the Court Whigs, despite their reluctance had not denied that the people ultimately had the right to revolt against a tyrannical ruler. This fact operated as a restraint on all governments and ensured that they governed according to the common good (Dickinson, *Liberty*, 128–29). It was the argument of Anon., *True Alarm* and Anon., *Present State* that a reciprocal relationship between the rulers and the ruled had not been established in Bengal, consequently, abuse had gone unchecked. Bolts however suggested that the Indians, despite their meekness, were capable of revolting. Consequently, he argued, the Indians' resentment was to be feared: 'let those who despise the Asiatics farther reflect, that the most despicable reptiles will turn when trod upon; and the history abounds with instances of nations driven into madness by the cruelty of oppression. It must certainly be best to avoid giving occasion for such extremities' (*Considerations*, p. ix). See also: Muthu, *Enlightenment*, pp. 87–90.

¹³⁷ Anon., *Present State*, p. 23.

¹³⁸ *Ibid.*, p. 21.

rulers. The latter meant that the servants were bereft of all motivation firstly, to learn the art of government and, secondly, to govern — the consequence of which was that ‘the machine of political government stops in their hands, and stands stock still’. The former meant that the Company’s government, as a deputed one, lacked the necessary powers of enforcing the obedience of its servants and of punishing them. Finally, the existence of the Company as both sovereign and merchant was another flaw that separated it from other rulers.¹³⁹ For all of these reasons it was advocated that the ‘national government’ should take over:

But the nature of the Bengal government differs in every circumstance, from that of a supreme government; being deputed, foreign, mutable and temporary, it is no way interested in the lasting prosperity of the community which it governs; on the contrary, this government holds an interest which is not only distinct from, but diametrically opposite to that of the subject.¹⁴⁰

The British government, he believed, would not act in the same arbitrary and despotic manner as the Company because they faced the appropriate restraints on power. This had also been the conclusion of the author of the *True Alarm*; he argued that the British government’s assertion of power would bring to an end ‘that new and monstrous species of despotism, the mercantile one’.¹⁴¹

Conclusion

Montesquieu’s argument that a despotic government was akin to the savages of Louisiana cutting down a tree in order to obtain its fruit was an ideal type. It referred to the policy of a theoretical despotic ruler. Historical examples of despotic rule had not been uniform in the exercise of power: ‘circumstances, a religious opinion, a prejudice, received examples, a turn of mind, manners, mores, can leave considerable differences among them’. Furthermore, the existence of religious books had provided them with a ‘religious code’ in place of a ‘civil code’ and thereby fixed what was ‘arbitrary’.¹⁴² Despotism, in reality, was not boundless; it was, in fact, limited. It was this difference — between despotism in fact, and despotism in theory — that made it possible to argue that Mughal rule had differed qualitatively from Company rule: the latter was arbitrary, while the former had been regulated.

¹³⁹ Ibid., pp. 67, 20, 28–29, 31, 51–52.

¹⁴⁰ Ibid., p. 24.

¹⁴¹ Anon., *True Alarm*, pp. 90–92.

¹⁴² Montesquieu, *Spirit*, p. 211.

The argument that Mughal or Indian rule had enjoyed codes of government (the ancient Mughal constitution) was made by Dow, the *Plan for the Government* and Scrafton; in addition, it was to figure heavily in later developments of British rule of India. These writers maintained that the Mughal Empire was despotic but they also argued that the Empire displayed features that were inimical to the concept of arbitrary regimes — such as fixed rents and the division of the powers of government. Yet the continued use of the term despotism in relation to the Mughal Empire remained consistent because contemporaries also differentiated between absolute and arbitrary power. As Hume had shown, there was a distinct difference between Turkish and French despotism; the former was arbitrary and reduced its people to a condition of slavery, while the latter enjoyed the benefits of free governments — namely, rule by law.¹⁴³

The view that absolute monarchies were legitimate types of governments and the idea of the ancient Mughal or Indian constitution made the principle that laws had to suit the manners of the people an applicable one. For example, when the author of the *Plan for the Government* urged for the ‘condition’ of the natives to ‘be brought back to the easy state which they enjoyed before the Mogul empire was overturned’,¹⁴⁴ he was arguing for the Indians to be rescued from the boundless despotism of the Company and restored to the regulated despotism of the Mughals. The belief in an ancient Mughal or Indian constitution meant that calls to rule Indians according to their manners did not involve a call to rule the acquired territories by an unregulated despotism.

Mercantile despotism was the phrase that the *True Alarm* used to differentiate the Company’s rule of Bengal from both other regulated despotisms, which had historically existed (such as the Mughal Empire), and other types of governments. The point that the *True Alarm* and the *Present State* made was that *all* governments were regulated in the exercise of power in point of practice — except the Company. This was because the Company was opposed, in every way, to the true character of a ruler. Rulers cared for their people, were fearful of their revolt and their self-interest was associated with governing well. The Company’s administration was temporary and foreign, its interests were commercial and its servants did not care about the opinion of the

¹⁴³ Hume, ‘The Rise of Arts and Sciences’, pp. 116, 125.

¹⁴⁴ Anon., *Plan for the Government of the Provinces*, pp. 13–14.

Indians — on the contrary, the servants associated ‘glory’ with ‘acquiring and bringing home a mighty fortune’.¹⁴⁵ The Company did not possess any of the necessary characteristics of a ruler, which was why it had managed to establish what the Mughal rulers had not: a boundless despotic government. The idea of mercantile despotism was used to indict Company rule, and to thereby support the British government’s case for taking control of the administration of the territories — the British government was ‘perfectly free from all the defects of the Company’.¹⁴⁶

The aim of the *True Alarm* and the *Present State*, in denouncing the Company’s rule of Bengal, was to justify the British state’s take over of the responsibility of government of the acquired territories. For this end, they also utilised the concept of trust: power was entrusted to the ruler by the people and ultimately had to be exercised for their benefit. The people had the right to regain their powers, if the trust was betrayed. In the specific case of the Company, it was not the Bengali people that had the right to regain power — they were considered too meek — but the British government. It was the British government that had invested the Company with powers to conduct commerce in the interests of the nation; it was they that had the right to take the powers away from the Company if they were abused or exceeded. This was a point that Johnstone, associated with the Rockinghams during the 1773 debates on North’s Regulating bill, could not disagree with.¹⁴⁷ The argument of mercantile despotism was used to prove that a breach of trust had occurred, but the Rockinghams disputed this fact; they did not believe that the Company had forfeited its rights. At the same time however, they could not deny that reform of East Indian affairs was now due. What were the principles on which reform should proceed? It is to that question that this dissertation now turns.

¹⁴⁵ Anon., *Present State*, p. 31.

¹⁴⁶ *Ibid.*, p. 67.

¹⁴⁷ Johnstone argued that the only foundation on which the Company could be deprived of its acquisitions was if it was incompatible with the common good, see: [George Johnstone(?)]/[George Dempster(?)], Independent Proprietor, *A Letter to the Proprietors of East India Stock* (London: 1769), BL, OIOC Tract vol. 378, pp. 6–7. On authorship see n104 in ch. 4 below.

Chapter 4

Supervisors, Despotic Power and Checks and Balances: Plans for the Reform of the East India Company, 1769–1773

In Lord Clive's speech in parliament of February 1769, he had described the wealth and opportunity that the East India Company had come into in consequence of its obtaining *de facto* sovereignty over Bengal in 1765. He had also pointed out that the wealth was in danger of being lost unless the Company was made equal to the task of governing the territories it had so suddenly acquired.¹ In the years immediately following Clive's speech, increased allegations of Company corruption and abuse in India, made by former disaffected servants of the Company and circulated widely in the press,² together with the investigations of the House of Commons Select and Secret Committees and the Company's financial crisis, all contributed to a sense that the territories could be lost or irrevocably damaged, unless some action was taken by the British government. The preceding chapter set out the arguments put forward against what publicists saw as the Company's despotic regime in Bengal. This chapter explores the principles underlying the plans put forward for the reform of the Company by an examination of a representative sample of pamphlets published on the subject in this period.

The period with which this chapter is concerned, namely 1769–1773, was a crucial period in the formation of ideas regarding empire in India. The broad arguments that were advanced at this time continued to be reiterated later in the century, specifically during the debates on Fox's and Pitt's India Bills, and the impeachment of Warren Hastings. The need for reform of the Company's affairs was already widely accepted — but the shape that any reform should take was fiercely contested. The major point of controversy hinged upon the question of whether the Company was a suitable agency for the government of the acquired territories and the management of its revenues. Enemies of the Company called for a complete separation of the responsibilities of government from the Company.

¹ BL, Eg. MSS 218, pp. 148–53.

² Osborn, 'India, Parliament', pp. 116–18.

This was a stance that can be identified with individuals such as Meredith and Burgoyne, who both took prominent parts against the Company during the various debates in Parliament on East India affairs in this period.³ In this chapter, this position is explored through the writings of Bolts and Nathaniel Smith. Bolts, as we saw in the previous chapter, proved to be a significant figure in this period because of the wide circulation and publicity of his *Considerations on India Affairs* (1772), sections of which were widely reproduced in other publications,⁴ as well as due to his association with the powerful faction in the Company's court of Proprietors, the Johnstone Group, and the tenacity with which he pursued restitution for the 'injustices' he had suffered in India, which included his forced deportation. His book drew attention to the Company's inadequacies as a ruler — especially its misgovernment of Bengal — and served to focus public attention on Company affairs.⁵

Nathaniel Smith, who was affiliated with Lord Shelburne and had served in the Company's maritime service,⁶ began from the same premise as Bolts in that he believed that the Company could not continue as merchant and sovereign simultaneously.⁷ He did not however share Bolts' extreme enmity towards the Company, which ultimately coloured the tenor of Bolts' proposals for the Company's reform.⁸ Smith's works did not have the same impact as Bolts' and were published anonymously, but reforms that he supported would be enshrined in Pitt's 1784 India Act, while he was a director of the Company.⁹ His position was opposed by the Rockingham party and is explored in this chapter through the writings of George Johnstone (part of the Johnstone group),¹⁰ Alexander Dalrymple¹¹ and Archibald Keir.¹²

³ During the period 1768–74, Burgoyne spoke 47 times and Meredith 39 times on East India affairs in the House of Commons, see Table 1 in Bowen, *Revenue*, p. 33.

⁴ Osborn, 'India, Parliament', pp. 117–19.

⁵ See: Tuck, 'Introduction', pp. viii–ix; Kuiters, *British in Bengal*, ch. XIV.

⁶ Parker, 'Directors', p. 249.

⁷ [Smith], *Measures to be Pursued*, p. 12; [Smith], *General Remarks*, pp. 49–51. See also: Bolts, *Considerations*, p. 222. Kuiters, *British in Bengal*, p. 272, argues that Bolts did not want the British state to take over the responsibility of governing Bengal; however Bolts' call for the 'British legislature to separate the Merchant from the Sovereign' clearly demonstrates that he did not want the Company to continue as the rulers of Bengal.

⁸ The extent to which Bolts was motivated by his personal experience can be gauged by the title of chapter xi of his *Considerations*: 'On the Assumed Right of the East India Company to Seize their Fellow Subjects in India and Send them by Force Prisoners to England; on their Abuses of Power in so Doing and the Evil Effects thereof'. See also Bolts, *Considerations*, pp. 86, 147.

⁹ Parker, 'Directors', p. 251.

¹⁰ See n6 in Introduction above.

¹¹ See n112 in Ch. 3 above.

The Johnstone group's aim was originally to prevent the prosecution of John, which awaited him on his return to England, but their enmity against Clive was to persist even after the case against John was dropped. George Johnstone, John's brother, used his position as a member of parliament and as a member of the House of Commons select committee (instituted to investigate Company affairs in 1772) to attack Clive and his administration of Bengal.¹³ Significantly, however, the Johnstone group was not an enemy of the Company itself — its members did not support any government measure that eroded the privileges of that organisation, which was why they worked with the Rockingham party to oppose North's Regulating Act. Dalrymple shared this stance but he criticised the specific plan that George Johnstone put forward for the reform of the Company, which is why they are both considered here in order to encompass the range of argument involved.

Keir, writer of *Thoughts on the Affairs*, had much in common with Bolts; he had also been a former free merchant in Calcutta, and had suffered from the policies of Clive's administration — specifically by the creation of Clive's society of trade.¹⁴ However, unlike Bolts, Keir wished the administration of Bengal to continue with the Company. What he advocated was for it to be equipped with powers appropriate for its altered status on the sub-continent.¹⁵ His circle of associates is difficult to ascertain, but he was a keen observer of Company affairs.¹⁶ In any case,

¹² Keir originally served in the East India Company's maritime service (1751/2) and then in the Madras army (from April 1753) as a surgeon. He was in the force that accompanied Clive to Bengal in 1756. He then joined the Bengal infantry in 1757; he was made a captain in 1758 but resigned in August 1758, and went back to England. He subsequently returned to India as a free merchant and was based at Patna. He rejoined the Bengal army as a captain in 1766, resigning again on 1st September 1768, see: Anthony Farrington, *A Biographical Index of East India Company Maritime Service Officers 1600–1834* (London, 1999), p. 436.

¹³ Bowen, *Revenue*, pp. 134–35.

¹⁴ As a free merchant, Keir was involved in the production of salt: he employed 13,000 men and produced 12,000 tons of salt a year. Keir's enterprise was terminated by Clive's Society of Trade, which enjoyed a monopoly of trade in (amongst other things) salt, see: Alex N. Cain, *The Cornchest for Scotland: Scots in India* (Edinburgh: National Library of Scotland, 1986), p. 14; Travers, 'Contested Notions', p. 54.

¹⁵ Keir, *Thoughts*, pp. 7–8, 14–16.

¹⁶ Bolts argued that the Company in London was prevented from obtaining 'unconstitutional' powers over their servants in 1770 by a petition entered by Keir: in March of that year, the Company had put forward a bill in parliament 'for compelling persons dismissed the service of the East India Company to depart the East Indies, and for better regulating servants of the said Company'. Keir's petition against it was based on the argument that it deprived British men of their rights and privileges of the British constitution. The petition was considered by the Committee of Correspondence (of the Company), who decided to drop the first part of the bill. It

Keir, Smith, Johnstone, Dalrymple and Bolts' writings are the principal (although not the exclusive) writings considered in this chapter.

Their ideas are considered in the broader context of the reform of the Company that took shape in this period; the 1773 Regulating Act came after other attempts by the British government to reform the affairs of the Company, as well as after the Company's own efforts to remedy its problems. The scheme of a supervisory commission in 1769 marked a key stage in the Company in London's attempt to control its affairs abroad, and ultimately the concept of a strong executive authority, embodied in the notion of supervisors, was to find expression in the creation of the post of Governor-General. This chapter begins by firstly considering the debate regarding supervisors; secondly, the arguments raised against a strong unified authority in India (what critics termed 'despotic' power), and it then considers the way that the concept of checks and balances was used to provide an alternative to schemes of reform that relied on 'despotic' governors. The authors of the various plans were clearly not detached observers but implicated in different ways and to different degrees in the affairs of the Company. From their opposing political and personal considerations, these Company supporters and critics drew on contemporary ideas regarding the British constitution, moderate governments, and the relationship between laws and the spirit of the people, to create plans for the government of Bengal. These broader ideological commitments led to plans for the administration of that territory that did not fully endorse either despotism (where the ruler governed according to his whim) or liberty (where the people participated, in some way, in the political process).

I. Supervisors

In May 1769 the value of Company stock dropped sharply. The crash had been caused by news of Haidar Ali's successes in the Carnatic against the Company and the potential threat he posed to Fort St. George. In addition, other intelligence also pointed to possible threats posed to British

was ultimately passed as 'An Act for Better Regulating Persons Employed in the Service of the East India Company' (10 Geo. III, c. 47). See: Bolts, *Considerations*, pp. 134–38; BL, OIOC B/86, p. 6; BL, OIOC D/26, pp. 177, 178–9, 182; Bowen, *Revenue*, p. 92.

interests in India by the French and Shuja-ud-Daula, wazir of Oudh.¹⁷ These developments had, in the words of one Company critic, led to a 'pause' in the Company's 'delirium' that it had experienced following its successes in India, namely the victories of Plassey and Buxar and the grant of *diwani*. The Company's preoccupation with its spoils, he suggested, had led it to neglect its interests — specifically the pressing need to develop a policy that would protect its acquisitions.¹⁸ The directors blamed their losses against Haidar Ali firmly on their servants in Madras' ill conceived foreign policy.¹⁹ Since the acquisition of *diwani* the directors in London had constantly urged their servants in India against any further extension of Company responsibilities, but the foreign policy of the Madras Presidency showed that this warning was not being heeded.²⁰ The directors decided to deal with the crisis by sending a supervisory commission who were intended to coordinate policies between the three different presidencies in India, and to oversee their servants abroad.²¹

The Company also requested from the British state naval support in order to counter the continuing threat the French posed to the Company and Britain's interests in India.²² The two separate issues of naval support and of a supervisory commission became connected when controversy arose regarding the powers that the naval commander (Sir John Lindsay) was to be entrusted with. This raised the fundamental question of what the limit of the British government's interference in the Company's relations with Indian powers ought to be. The Southern Secretary, Lord Weymouth, wanted the naval commander to be involved 'in the development of policy and strategy in situations where Crown interests and resources were at

¹⁷ Sutherland, *East*, p. 191; Bowen, *Revenue*, p. 76; see also: Bowen, 'The Pests of Human Society: Stockbrokers, Jobbers and Speculators in Mid-eighteenth-century Britain', *History*, 78, 252 (1993), 38–53.

¹⁸ Anon., *Address to the Proprietors of India Stock Shewing*, pp. 9–10.

¹⁹ Lenman, *Britain's Colonial Wars*, pp. 185–88.

²⁰ The Madras council had entered into a treaty (12 Nov 1766) with the ruler of the Deccan (Nizam Ali) to support him militarily in exchange for the grant of the five *sarkars*, which Clive had obtained from the Mughal Emperor in 1765 by the treaty of Allahabad. The Madras council assisted the Nizam against Haidar Ali, the ruler of Mysore, but were deserted by him and ultimately forced to make peace on Haidar Ali's terms. See: Dodwell ed., *Cambridge History of India*, pp. 273–77.

²¹ Bowen, *Revenue*, p. 77; on the powers they were to be given see also p. 78.

²² Lenman, *Britain's Colonial*, p. 187; Bowen, *Revenue*, pp. 77–78 (on the French threat see *ibid.*, pp. 73–75).

stake' rather than policy being conducted by the servants alone.²³ The directors had initially agreed to Weymouth's request, but had then subsequently withdrawn their assent and disputed the right of what was effectively the Crown's representative in India to interfere in its relations with Indian powers.

While Weymouth did not enjoy the full support of his government for the powers he claimed for the naval commander,²⁴ they represented an effacement of the Company's freedom of diplomatic action in India.²⁵ Ultimately, Weymouth did not succeed in gaining the powers that he sought for Lindsay;²⁶ however, the controversy generated a number of publications as interested parties tried to influence the outcome of the debate in the Court of Proprietors.²⁷ Lord Weymouth's case was argued by an anonymous supporter in *An Address to the Proprietors*. He cast doubt on the Company in London's ability to develop a coherent policy to deal with the threats they were facing in India, because of the 'spirit of faction' that characterised Company politics at home.²⁸ What he was referring to was the stock-splitting and speculation in Company stock that had characterised the elections of the Company directorships since the 1760s.²⁹ The government had attempted to reform this aspect of the Company's organisation, but the 1769 election had proven to be one of the most 'fiercely contested of the century', with agents of the government and of the various factions within the Company, headed by Clive, George Colebrooke, Sullivan, as well as the Johnstone Group, dividing large holdings of stock amongst their supporters in order to

²³ Bowen, *Revenue*, pp. 79–80. Specifically, Weymouth had demanded 'extraordinary and plenipotentiary powers' for the naval commander.

²⁴ *Ibid.*, pp. 81, 81n65.

²⁵ *Ibid.*, p. 79. Bowen also points out that the Treaty of Paris had recognised two Indian Kings, and consequently raised questions about whether the Crown was to manage its relationship with these monarchs by its own ambassadors and pursue a separate foreign policy; or whether it was to be represented by the Company (*ibid.*, pp. 75–76).

²⁶ Publicly Weymouth conformed to the decision of the General Court, however Lindsay was given 'secret instructions which defined the Commander's role along the lines originally desired by Weymouth', see: *ibid.*, p. 82.

²⁷ C. D., *A Letter to the Proprietors of East-India Stock: Relative to some Propositions Intended to be Moved at the next General Court, on Wednesday the 12th July* (London, 1769); Alexander Dalrymple, *A Letter to the Court of Directors for Affairs of the United Company of Merchants of England trading to the East Indies Concerning the Proposed Supervisorship* (London, 1769); Dalrymple, *Second Letter*, [Dalrymple], *Vox Populi Vox Dei: Lord Weymouth's Appeal to a General Court of Indian Proprietors Considered* (London, 1769); Anon., *An Enquiry into the Rights of the East-India Company of Making War and Peace; and of Possessing their Territorial Acquisitions without Participation or Inspection of the British Government: in a Letter to the Proprietors of East-India Stock Written in the Year 1769 and Now First Published* (London, 1772).

²⁸ Anon., *Address to the Proprietors of India Stock Shewing*, pp. 5–7.

²⁹ This is fully explored in Sutherland, *East*, see esp. chs 4 and 5.

qualify them to vote in the directorship elections.³⁰ The *Address* argued that the factionalism was inimical to the interests of the Company:³¹ the Company's problems required a coordinated and robust response to the several threats that they faced in India.³²

The *Address* was written in favour of the supervisory commission, but it argued in favour of the naval commander being a member of it,³³ on the basis that India was a part of the 'British empire'.³⁴ Ironically however, while the *Address* predicted doom³⁵ unless the factionalism was overcome and wide-sweeping powers were given to the commissioners, the Commission itself received impetus from the private financial considerations of the factions within the Company in London; with the fall in the value of Company stock following the 1769 directorship elections, Sullivan, Clive, Colebrooke, and their respective supporters, suffered severe financial losses. They had invested significant amounts of money in the Company's stock, in order to influence its outcome by stock-splitting.³⁶ In the wake of the crash, many of the parties were more interested in salvaging their fortunes than the affairs of the Company. The supervisory scheme provided an opportunity for the parties of Clive and Sullivan to recover their fortunes,³⁷ although the directors at the same time recognised the need to regulate their affairs in India. With Weymouth's demands, the scheme of a supervisory commission became conflated with the issue of naval assistance.

Opinion amongst the Court of Proprietors, as well as amongst the Directors, was against the extensive powers sought by Weymouth. Alexander Dalrymple, a supporter of the Company, was

³⁰ Sutherland, *East*, 188–89; cf. also Bowen, "Dipped in the Traffic", pp. 41–42.

³¹ Anon., *Address to the Proprietors of India Stock Shewing*, pp. 6–7.

³² See, for example, *ibid.*, pp. 26–27.

³³ *Ibid.*, pp. 25, 32.

³⁴ 'A commission vested intirely in three gentlemen, who are only accountable to the Company for their conduct abroad, may certainly answer all the immediate purposes for which it is intended: but it is to be remembered that the Company's dominions in the East, are a part of the British empire, and that unless the state views the transactions of that country, as those of the great body of the nation, there is wanting that harmony and universal bond of interest which secures the prosperity of national affairs', *Ibid.*, p. 30. Cf. Bowen, 'British Conceptions', p. 6.

³⁵ Anon., *Address to the Proprietors of India Stock Shewing*, conceived the history of India in terms of a cycle of 'bloody war and profound peace'; he implied that the latest developments in India showed that the Mughal Empire was recovering its 'vigour' and the British, consequently, faced the prospect of being ousted by the Indians (pp. 11–13).

³⁶ Sutherland, *East*, pp. 187–93.

³⁷ See Bowen, *Revenue*, pp. 77–78; Sutherland, *East*, pp. 193–95. The Johnstone group did not support the scheme of supervisors because they feared investigation in India, see: *ibid.*, p. 196.

against any innovation of the Company's organisation and infringements of its established powers.³⁸ He pointed to the instance of naval assistance given by the crown in 1754, which had been offered 'without a *requisition* on of any *extraordinary powers*'; he therefore questioned the necessity of such powers in 1769.³⁹ Dalrymple saw the consequences of ceding to Weymouth's demands as leading to the growth in the powers of the Crown.⁴⁰ Dalrymple then proceeded to undermine the rationale for sending out supervisors to India in the first place. He argued that it was the directors and proprietors in London that had betrayed the Company — not the servants in India. In his opinion, the servants in India had better understood the interest of the Company and consistently followed it.⁴¹ He believed that the directors had sufficient control over their servants,⁴² and what was needed was not to send supervisors to India, but to entrust the commission to 'a committee of the Madras council.'⁴³

The *Address* defended the plan of supervisors from critics like Dalrymple,⁴⁴ its author acknowledged the problems that a commission might present, such as abusing its wide-sweeping powers. Precedents for this could be found in Classical history, which had been raised, according to the *Address*, during the debates in the Court of Proprietors. The *Address* argued however that the abuse of power usually only occurred after the terms of the commission had expired.⁴⁵

³⁸ [Dalrymple], *Vox Populi*, p. 2; cf. Anon., *Enquiry into the Rights of the East-India Company of Making War and Peace*, which argued that Weymouth's demands were perfectly just and in no way infringed the rights of the Company.

³⁹ [Dalrymple], *Vox Populi*, p. 3.

⁴⁰ *Ibid.*, p. 6. Dalrymple implied that if the crown had a direct representative in India (in the form of the naval commander empowered with plenipotentiary powers), he would gain access to an independent source of revenue; he argued that Britain's liberties relied on the principle that 'the crown shall depend on the House of Commons for revenue. It seems to be totally inconsistent with the principles of the Constitution that the crown shall have any independent revenue' (*ibid.*, p. 12).

⁴¹ 'The very nature of the Company's affairs makes that part of the Constitution necessary, by which a *dispensing* power is left with the administration abroad. I confess, therefore, the charge of disobedience does not to me appear an objection of so much weight as it seems to the Directors, I conceive it cannot be denied that persons on the spot have documents of knowledge, which it is impossible for the Directors to have' (Dalrymple, *Letter to the Court*, p. 3).

⁴² Dalrymple, *Letter to the Court*, p. 10, remarked caustically 'I dare say the man of least capacity in the Direction thinks if *he* had *sufficient powers*, he has *sufficient ability* to make India Utopia'.

⁴³ *Ibid.*, p. 9.

⁴⁴ See: *ibid.*, p. 5. Dalrymple also cast doubt on the ability and integrity of those who had been selected as supervisors, as well as the number which composed the commission, see: *ibid.*, pp. 13–15; see also Dalrymple, *Second Letter*, p. 5.

⁴⁵ 'In times of distress, or apprehension, the best regulated communities have always committed that absolute power, of which they are at other times scrupulously tender, into the hands of individuals, in whom they had reason to confide. This power has sometimes been made bad use of; but never till it had answered the end of its commission. Here you have a most material

Misuse of power, he contended, could be prevented from occurring by ensuring that the Company in India resumed its powers as soon as the commissioners' aims had been achieved. He justified the investment of despotic powers (what he termed 'ample' and 'absolute' power) in the commission by arguing that the context of Asia necessitated it — 'an Asiatic government' could not 'be regulated on the principles of an English one'⁴⁶ — and by the fact that their possessions were under threat: 'You have already very severely felt how a misconduct, at one of your presidencies, may bring ruin; nor is it possible, that without one supreme council for all your affairs abroad, they can ever prosper'.⁴⁷ He even suggested that a 'despotic governor'⁴⁸ was necessary for controlling their territories in India. By implication, such power was to be exercised over Europeans as well as Indians. The issue of 'despotic' power, as we shall see, was to be fiercely debated.

The three selected supervisors, Vansittart, Scrafton and Forde, left for India in October 1769.⁴⁹ Great expectations of reform were riding on them, but they were lost at sea, and the merit of this policy was consequently left open to question.⁵⁰ The scheme of sending supervisors to India was again broached by the directors in 1772, when they were faced with a financial crisis.⁵¹ It was also an idea advocated by Archibald Keir at the same time. He acknowledged the criticisms that the plan of supervisors had met with in the past, but he argued that his new plan was different.⁵²

advantage; after your purpose is fulfilled, you can immediately take back the power to yourselves, which was not the case with the Romans and Athenians; so the objections that have been made to the commission, from the tyrannies of Sylla and Pisistratus, arose from want of reflection', Anon, *Address to the Proprietors of India Stock Shewing*, pp. 25–26; cf. however [Dalrymple], *Vox Populi*, p. 5.

⁴⁶ Anon., *Address to the Proprietors of India Stock Shewing*, pp. 25–26.

⁴⁷ *Ibid.*, pp. 26–27; see also p. 29.

⁴⁸ 'The Dutch, the most politic European nation that is established in Asia, owe the strength and success of their government to its being centred in one despotic governor and council. His command is that of majesty itself, yet he finds his duty, his interest, and his pleasure not to be a tyrant' (*ibid.*, p. 27). Cf. also p. 26. The Dutch example of a governor with extensive powers was also cited by Sullivan, see: Harlow, *Founding*, II, p. 62.

⁴⁹ Bowen, *Revenue*, pp. 77–78.

⁵⁰ The *Annual Register*, no. 16, p. 66, commented that the loss of the three supervisors 'was undoubtedly one of the greatest misfortunes that could have befallen the company. They must have remedied many evils'.

⁵¹ The Company's financial difficulties will be considered in chapter 5 below.

⁵² Keir, *Thoughts*, pp. 20–21; see also pp. 16–19. Cf. Friend to Fair Discussion, *A Letter to the Proprietors of East-India Stock, on the Subject of sending supervisors with extraordinary powers to India by A Friend to fair discussion* (London, 1772), which attempted to refute all objections to supervisors that had been made, point by point. See also: Old Proprietor, and Former Servant of the East India Company, *A Letter to Sir George Colebrooke, Bart. on the Subjects of supervision and dividend*

Keir was a supporter of the Company — he did not want the responsibility of government to be separated from it,⁵³ which was, for instance, advocated by Nathaniel Smith.⁵⁴ Keir was in favour of continuing the existing system, but he did not preclude the need for government legislation.⁵⁵

This was a stance that was consistent with the policy of the directors in this period. The 1769 and 1772 schemes of supervisors were not the only attempts by the Company in London to reform itself. The directors also attempted to initiate reform of their military and judicial affairs. Two bills were submitted relating to the recruitment of soldiers by the Company in April 1770 and February 1771, whilst in 1772 the Judicature Bill was put forward in the House of Commons.⁵⁶ These bills however were not passed onto the statute book as they ultimately lacked the full support of the British administration. In this manner, successive governments proved themselves reluctant to interfere in the Company's internal affairs. However, by 1772, the government's attitude of leaving the Company to deal with its own internal affairs was changing, although ultimately it was the financial crisis that forced North to address the problems of the Company.

Prior to the 1773 Regulating Act, legislation concerning the Company had been related to reforming the Company's organisation in Britain.⁵⁷ In 1767, legislation aimed at curbing the practice of stock splitting which occurred prior to directorship elections was passed. It required proprietors to have held the minimum £500 worth of stock for at least six months before they

(London, 1772), which argued that supervisors were intended simply to enrich 'needy dependents of your [Colebrooke's] own', p. 10.

⁵³ In refuting the argument that merchants could not be sovereigns Keir argued, 'is not our own legislature composed principally of merchants, and of mercantile men?' (*Thoughts*, p. 5). Kuiters, *British in Bengal*, p. 228, argues that Keir tempered his criticisms of the Company because he hoped 'to return to Bengal in the service of the Company'. This certainly explains why Keir's criticism of the salt monopoly was so muted, considering that it considerably affected his own business (see n14 above). Keir himself refers to the fact that the monopoly brought to an end his trade, and argued that a monopoly in salt was not as bad as others had contended (*Thoughts*, p. 57). Kuiters' argument offers an explanation for why he was so conciliatory towards Clive and the Company.

⁵⁴ Smith asked what use supervisors were: 'they can establish no fund to supply the husbandman with cash on easy terms, for the purposes of cultivation, nor can they increase the circulating cash of the country; they cannot recover it from the scarcity occasioned by that imprudent drain it suffered when we first got possession of the duannee' ([Smith], *General Remarks*, pp. 103–04).

⁵⁵ Keir, *Thoughts*, p. 51.

⁵⁶ Bowen, *Revenue*, pp. 85–93; see also: Tuck, 'Introduction', p. xxiv n31.

⁵⁷ One exception to this was the 1770 Act for Better Regulating Persons Employed in the Service of the East India Company, see n16 above.

became qualified to vote.⁵⁸ Yet, as the 1769 elections proved, this did not prevent stock splitting, but only protracted the duration in which the deals were concluded. Other legislation (7 Geo. III, c. 49 and 8 Geo. III, c. 57) placed restrictions on the Court of Proprietors relating to the raising of the dividend. Government had also been concerned with obtaining a share of the Company's revenues for the British state.⁵⁹ Chatham's inquiry of 1767 set out to assert the government's rights to the territorial revenues, but in the face of opposition, including from members of Chatham's own administration, the issue of sovereignty was allowed to remain unresolved and an agreement was reached by which the Company agreed to pay £400,000 to the government (7 Geo. III, c. 57, renewed in 1769, 9 Geo. III, c. 24).⁶⁰

By the time that Keir was writing in support of a new plan of supervisors, Company mismanagement abroad had been highlighted by the publications of works by former disaffected servants of the Company. These writings were disseminated widely and the most notorious were Bolts' *Considerations* and Dow's preface to his *History*. Other enemies of the Company chose to publish their attacks on the Company anonymously, but publications such as the *True Alarm*⁶¹ and *National Mirror* were of the same ilk. It was in this context that the House of Commons Select Committee was set up to investigate the Company's affairs.⁶² Upon the creation of this committee, the directors had postponed their decision to send supervisors; however by August the directors decided that their affairs in India, specifically in Bengal, required immediate action and they proceeded with their plans.⁶³

The problems that the Company faced with its administration of Bengal and its commercial affairs generally would be the subject of a House of Commons Secret Committee. With respect to Bengal, the problems related to: the collection of revenue — with reports of extortion and embezzlement; the monopolisation of different branches of trade by the servants; the conflict of

⁵⁸ 7 Geo. III, c. 48; Bowen, 'Investment and Empire', p. 198.

⁵⁹ Cf. Anon., *Essay on the East-India Trade and its Importance to this Kingdom*, p. 3, which complained that the British government had been more interested in obtaining the revenue from the Company than the nation's commerce.

⁶⁰ Bowen, *Revenue*, pp. 64–65.

⁶¹ Anon., *True Alarm* was cited by Bolts in his *Considerations*, 214–15.

⁶² Bowen, *Revenue*, pp. 95–96.

⁶³ The Directors began the process of appointing supervisors in August 1772, but once appointed, they were prevented from going to India by the Dec 1772 Restraining Bill, see: *ibid.*, pp. 148–49.

interest faced by the servants due to their dual roles as rulers and private traders or landholders and the ruthless conduct of the servants' *banians*, who managed their private trade. This context, and the 1769–70 drought and famine, had seen a decline in the revenue yield — the demands had in any case (at least by some accounts) been set at unrealistic levels. In addition, the famine had given rise to reports of deliberate hoarding of grain and profiteering.⁶⁴ Added to this was the disobedience of the servants regarding the limit that the Company had set on bills issued by the council in Calcutta that could be cashed in London⁶⁵ (which was one of the ways in which the servants could transmit their private fortunes back to England). All contributed to the Company's financial crisis, which provided the impetus for the second supervisory scheme and ultimately for North's Regulating Act.

The central problem that Keir identified with the Company's administration of Bengal, and therefore a key area in which the supervisors needed to act, was the lack of an adequate judicial system.⁶⁶ Sullivan had of course, introduced a Judicature Bill in parliament in 1772, which had ultimately been rejected, but Sullivan had argued that Indians should have access to English justice.⁶⁷ Keir, on the other hand, ultimately wanted to see a system of government that was suited to the manners of the Indians established in India; this would become a familiar argument in the following years, and it was an argument that drew explicitly upon the wider ideas current in the century regarding the relationship of climate, manners and laws (associated originally with Montesquieu), and the connection between material progress and government. In order to create a system tailored to the disposition of the people of Bengal, Keir argued that detailed knowledge of the Indians' 'disposition and humours [...]; their religion, prejudices, and fancies; also the virtues and vices they are most prone to' had to be ascertained. The transplantation of a British system, he stated, would not render the Indians 'peaceable and happy'; this had already been

⁶⁴ Marshall, *East Indian Fortunes*, pp. 144–45; Khan, *Transition*, pp. 222–23.

⁶⁵ Bowen, *Revenue*, p. 119.

⁶⁶ 'Wholesome and just laws are the very essence and fundamentals of all good government. For as no civil society can subsist, where neither property is secured, or crimes are punished, as has been too much the case, perhaps for some time past in those rich and fruitful countries; so it is clear, I believe, even without a demonstration, that settled and established rules, to protect the helpless, and punish crimes, to secure both the persons and properties of individuals, against the lust and rapacity of others, ought to be the first and grand object, with those who want to avail themselves of the advantages to be drawn from any kingdom, country, or society of men' (Keir, *Thoughts*, pp. 8–9).

⁶⁷ Cited in Bowen, *Revenue*, p. 100.

proven, in his opinion, where English laws had been 'introduced into some of our principal settlements [...] the natives there would have been greatly better without it'.⁶⁸

Keir believed that prior to the Company's rule, Bengal had been governed despotically, but he did not believe that this rule had been wholly arbitrary. He drew on the notion of an 'ancient Mughal constitution' — a notion widely utilised in this period and beyond. This was essentially the idea that although the Mughal Empire had been despotic, it had still enjoyed codes of government in the form of giving due recognition to manners and customs. Keir argued that the present system which prevailed in Bengal (that is, the Company's rule) preserved all the 'disadvantages of a despotic and absolute government', but none of the 'advantages'.⁶⁹ These advantages, according to Keir, had been the Indians' customs, which had regulated government in the place of laws. Hence while the Indians' former rulers may have been despotic, they had faced restraints on the exercise of power in point of practice. This idea was consistent with the theory of despotism espoused by Montesquieu in his *Spirit of the Laws*; he had argued that despotism was the government of one with no laws,⁷⁰ but he had conceded that historical examples of despotic rule were not uniform: 'circumstances, a religious opinion, a prejudice, received examples, a turn of mind, manners, mores, can leave considerable differences among them'.⁷¹ His point was that despotism, in practice, was not boundless. Keir hoped that by constructing a system of rule that adhered to the true principles of Indian government, they could rule without the need of discretionary power, and according to the spirit of the people.

The system of government that Keir envisaged for Bengal required the institution of laws, which were compatible with the manners of the Indians. These laws however could not be framed by the Directors of the Company or the British government.⁷² Instead this was a responsibility that

⁶⁸ Keir, *Thoughts*, pp. 13–14. Also important to Keir's plan was the settlement of land ownership; although he did not expand on this point, he did argue that he was in agreement with the plans of Dow and Henry Pattullo. His plan rested upon the amassing of information such as that relating to land tenures, revenue and law; without such information, he suggested, it would be impossible to create a coherent and viable system of rule, see: Keir, *Thoughts*, p. 51. For a discussion of H. Pattullo's, *An Essay upon the Cultivation of the Lands, and Improvements of the Revenues of Bengal* (London, 1772) and Dow's ideas see: Guha, *Rule of Property*, ch. 2.

⁶⁹ Keir *Thoughts*, pp. 13–14.

⁷⁰ Montesquieu, *Spirit*, p. 10.

⁷¹ *Ibid.*, p. 211.

⁷² Keir, *Thoughts on the Affairs*, pp. 14–15.

he envisaged entrusting to a supervisory commission, which was to consist of two or more people, who were to observe and collect information about India.⁷³ Based upon this research, these supervisors were to frame an appropriate system of rule for the provinces and present this plan to the British government (who were to act as 'ultimate judges' of any plan) and the public. The supervisors were to act as information-gatherers and specialist advisers to the government on how to reform the Company's affairs; they were immediately to be entrusted with limited powers of reform to correct some aspects of the Company's affairs in Bengal, such as those relating to its revenue and trade, but they were not intended as the solution to the Company's problems.⁷⁴

II. Despotic Power

The debate surrounding supervisors raised questions regarding the degree and extent of power that the Company was to exercise in India; however, as Keir's work showed, it also led to debate regarding how the Indians were to be governed. The supervisors represented the directors' desire to have a stronger executive power in India by which they could control their servants and ensure that their policies were implemented abroad. However, to critics of the scheme, whose position is exemplified in this chapter by George Johnstone and Smith, the authority given to the supervisors amounted to despotic power. Their schemes of reform moved away from the idea of having a strong central authority to a system of government in Bengal that diffused power over separate bodies. This section is concerned with why Johnstone and Smith believed that greater, centralised authority in a few men, what they saw as despotic, that is to say arbitrary, power, would not bring an end to the corruption abroad. They argued that despotic power, whether it was exercised over Europeans or Indians, was an abuse of the legitimate powers of government. The use of such power by Company servants in India, specifically by Clive and Verelst, had been the complaint of disaffected individuals such as Bolts. He had drawn attention to the arbitrary

⁷³ Cf. Anon., *Plan for the Government of the Provinces*, p. 24.

⁷⁴ Keir argued: 'I admit the people there [Bengal] have of late been rather worse off than they were formerly under their own native sovereigns, I can at the same time very clearly perceive, that with a little just policy and good management, they may not only soon be relieved, but be put even in a much better situation than whatever they enjoyed before [...]. Numerous laws, indeed would not answer the purpose, so well as a few clear and distinct laws wisely framed and rightly adapted to the meridian of the country' (*Thoughts*, pp. 52–53); Significantly, Montesquieu had said that despotic governments did not require many laws, 'everything should turn on two or three ideas' (*Spirit*, 59); cf. A. B., *Letter to the Right Honourable Lord North*, pp. 30–32.

acts to which he, other Europeans and Indians had been exposed at the hands of the Fort William Council, and complained:

In England, and other parts of the British dominions, while so great a stir has been made about the liberty of the subject and the security of private property, it is amazing that so little attention has been paid to the situation of British subjects in Bengal, groaning, as they have been, under the intolerable oppression of this enormous and unconstitutional power.⁷⁵

Johnstone, Smith and Bolts, while not in complete agreement with each other in point of the reform that they wanted to see implemented in India, saw the task of reform as preventing the exercise of arbitrary power. They implicitly accepted that the Company had become the rulers of Indians as well as of British subjects residing in their territories and they saw their task as protecting them from Company despotism. Bolts clearly stated that the Europeans and the Indians that had come under British jurisdiction deserved protection from arbitrary acts.⁷⁶ This is not to deny that Bolts was deeply influenced by the way that he had been deprived of his 'rights' under Company rule of Bengal: that is his trading activities had been terminated and he had been deported without due process of law.⁷⁷ He was concerned with preventing the Company from being able to treat British subjects (as distinct from Indians) in the same despotic manner. However, at the same time, individuals such as Bolts, Johnstone and Smith, developed their case against plans of reform that relied on the use of 'despotic' power (as chapter 3 set out) by pointing out that the condition of the Indians had deteriorated under Company rule. They argued that the pre-existing Mughal system of government had not been arbitrary in point of practice: what they were at pains to stress was that the good government of Bengal required the power of the servants to be regulated (by checks and balances) — not greater discretionary power.

⁷⁵ Bolts, *Considerations*, p. 147; Bolts made it clear that he believed that the Asian subjects that had come under the Company's jurisdiction were British subjects, see: *ibid.*, p. vi.

⁷⁶ He argued that the laws of England did not give protection to those that went to India 'and none at all to the natives of those countries: who nevertheless, are now the subjects of the state; and ought to be under the protection of the supreme legislative power', *ibid.*, pp. 75–76. Cf. Anon., *Authentic Papers Concerning India Affairs which have been under the Inspection of a Great Assembly* (London, 1771), BL, OIOC Tract vol. 202, pp. v–vi.

⁷⁷ See: Kuiters, *British in Bengal*, chs 8–13.

Smith claimed to offer an independent view in his writings,⁷⁸ however he was patronised by Lord Camden, and he was a supporter of Chatham and Shelburne.⁷⁹ Smith was in favour of placing the responsibility of administering the territories in the British government. Writing in 1771, and not yet aware that the supervisors had perished, he argued against them because of the discretionary powers they had been given. He pointed out that the authority that they had been entrusted with was greater than the 'almost despotical' powers which currently resided in the Company's servants. This was a problem, he argued, because the abuses that had occurred in India were the result of a lack of control over the servants: the supervisors, in turn, would not be above temptation. He stated: 'it is the controul of laws over the rulers, that constitutes the sole difference betwixt the state of tyranny and freedom'.⁸⁰ This was a significant statement as it revealed that he did not believe that liberty necessarily required political participation — which was a connotation that the concept 'liberty' could carry at this time — but rather that a form of freedom could be compatible with security from unregulated power. A ruler could be absolute, but this was not the same as exercising discretionary power.⁸¹

The point that Smith was making drew upon current Enlightenment political thought, and had been clearly articulated by Hume; he, as we saw in chapter three, suggested that the difference between civilised and barbarous monarchies was that the former enjoyed government by law, while the latter was based on the arbitrary will of the ruler. Hume argued that in 'high political rant', a civilised monarchy was referred to as a tyranny, but, in actual fact, it enjoyed the benefits of liberty: 'private property seems to me almost as secure in a civilised EUROPEAN monarchy,

⁷⁸ [Smith], *Observations*, pp. 1–2.

⁷⁹ Sutherland, *East*, p. 378n.

⁸⁰ [Smith], *Observations*, p. 82; cf. Anon., *Plan for the Government of the Provinces*, pp. 14–15, which identified the source of the Company's misgovernment of Bengal in the fact that the three powers of government, as well as the military power, were vested in the same body of men (that is, the president and council); the author remarked: 'if human invention can contrive a system of government more open to abuse, I am greatly mistaken'. Cf. also: Anon., *A Plan for the Government of Bengal and for the Protection of the other British Settlements in the East Indies in a Letter to the Right Honourable Lord North First Lord of the Treasury etc. to which is added the Speech of an East India Proprietor upon the Extraordinary Commission for Regulating the Company's Affairs Abroad* (London, 1772), BL, OIOC Tract vol. 107, pp. 38–39, which drew a distinction between 'unlimited' power and 'unchecked' power. The author contended that 'power may be unlimited, and yet be sufficiently checked'.

⁸¹ During the impeachment of Warren Hastings, Burke was to similarly develop a distinction between absolute sovereignty and arbitrary power, see for instance: 'Speech on Opening of Impeachment' (16 Feb 1788), in *Writings and Speeches*, VI, *India: the Launching of the Hastings Impeachment*, ed. Marshall (Oxford: Clarendon Press, 1991), p. 352.

as in a republic'; the danger (to the subject) from the violence of the ruler, contended Hume, was as remote as a threat of a natural disaster — it existed but was too small to admit of 'calculation'.⁸² The main thrust of Smith's overall argument was that the abuse of power (by the servants) could not be reformed by giving despotic powers to supervisors: that could only possibly amount to the further abuse of power. What was required instead was a government by law.

Smith believed that the Mughal Empire had ensured that its officials did not enjoy wholly discretionary powers. He developed the argument, widely articulated at this time, that the Mughal Empire had been a regulated government; their customs, he contended, had acted in the capacity of laws. Smith saw the root cause of the corruption in Bengal as resulting from the disruption of the 'native' system of government. He argued that the dual system, which was the settlement that Clive had achieved between 1765–7, had left Bengal in a worse condition than Clive had found it. The dual system had set up Najm-ud-daula as the nominal ruler, but the effective administration of the territory rested in the hands of the *naib*, M. Reza Khan. This system, in Smith's estimation removed the only check (the local ruler) that existed on the powers of the landowners and led to abuses in the collection of land revenue.⁸³ The directorship, by 1770, also blamed irregularities in the collection of the revenue and its decline on the corruption of native officials, which was an attack on Clive's dual system.⁸⁴

However while Smith had suggested that corruption had been kept at bay under the Mughal administration due to the existence of customs, he had also implied that customs did not have the full force of law because the despot was not restrained from violating them — there could exist no security of life and property where their existence depended merely on the goodwill of the ruler. The observance of custom could not be enforced by the inhabitants since a despot, by his very nature, required 'absolute obedience to his will', and this in turn required that men be kept under 'oppression and fear', the consequence of which was that no 'generous sentiments, or

⁸² Hume, 'The Rise of Arts and Sciences', p. 125; Hume, 'Of Civil Liberty', pp. 92–93; Forbes, *Hume's Philosophical*, p. 154.

⁸³ [Smith], *Measures*, p. 4; cf. A. B., *A Letter to the Right Honourable Lord North*, pp. 12–3; *Plan for the Government of the Provinces*, pp. 3–6.

⁸⁴ Khan, *Transition*, pp. 103, 189. cf. Anon., *Plan for the Government of the Provinces*, pp. 9–11.

enlarged ideas' could exist.⁸⁵ In Hume's thought this fact had meant that despotisms (barbarous monarchies) were intrinsically unable to make any progress in the sciences, arts or government.⁸⁶ The parameters of the argument that Smith was making had been explicitly articulated by Montesquieu and, as we shall see, by Adam Ferguson. Ferguson's own contribution, as will become clear, was to make a significant impact on arguments for the reform of the East India Company. Smith was suggesting that a despotic government was oppressive and kept its people in a state of fear, but at the same time it could be restrained in the exercise of its powers — these restraints, however, were of a precarious nature.

Smith wanted to remove the element of chance from the political structure of Bengal. This would be beneficial for the Company, because despotism, as he had described it, influenced men to 'hide or dissipate their money' and was therefore detrimental to their trade. Some Indians, he contended, had hoped for British ascendancy, as they had heard that the British government was not arbitrary. These Indians had hoped that British rule would bring security, so that they could accumulate 'wealth with safety'.⁸⁷ Smith was not saying that the Indians should be given the degree of liberty 'our laws ensure to us' but rather that they should live under 'such a controul, as the wisest and best of their own princes exerted over them; only, instead of it depending on the will or caprice of any individual, I wish to see it secured by [...] fixed laws'.⁸⁸ Smith wanted to take the best examples of Indian rulers and customs, and to have their implementation guaranteed by law. Thereby the Indians would enjoy a government that was compatible with their manners,⁸⁹ but that did not depend on the precariousness of human nature; it would free them from the tyranny of the Company's administration as it currently existed.

⁸⁵ [Smith], *General Remarks*, pp. 4–5, 3.

⁸⁶ Hume, 'The Rise of Arts and Sciences', p. 124.

⁸⁷ [Smith], *Observations*, pp. 34–35; this idea was associated with the body of thought known as mercantilism, see: Jacob Viner, *Studies in the Theory of International Trade* (London: Harper, 1937), ch. 1.

⁸⁸ [Smith], *Measures*, pp. 12–13.

⁸⁹ Cf. Pownall, *Right, Interest, and Duty of Government as Concerned in the Affairs of the East Indies*, rev. edn (London, 1781), pp. 29–33, wherein he argued that the forms of Indian government had to be upheld in Bengal, even though Indian rulers had been replaced by British ones; in support of this policy Pownall cited the precedent of the Romans' treatment of the people of Macedonia and Illyricum: they had kept them 'free' and governed them by their existing laws; see also: Anon., *Plan for the Government of the Provinces*, pp. 13–14.

Many of the arguments that Smith made relating to despotism were also stated by George Johnstone, in a pamphlet published in 1771. However Johnstone denied that the government had any right to the acquired territories.⁹⁰ On this issue he was in close agreement with the Rockinghams, who also spoke out in defence of the Company's chartered rights.⁹¹ Smith on the other hand was aligned with a group that, when in power, had tried (unsuccessfully) to assert the government's right to the territories.⁹² Despite these differences Johnstone argued, in a way that Smith could not have disagreed with, that the idea of 'erecting a dictatorial or despotic power in one or more men, without controul, in order to prevent oppression or corruption, is a *solecism*, in government'. Abuse, he stated, was the result of despotic power, and could not be reformed by it.⁹³ The difference between the two writers was that Johnstone believed that a reform of the Company's structure would bring to an end the abuses occurring in India. Smith wanted a complete separation of commerce and government. The latter was to be entrusted to the British state, whilst the former was to remain with the Company.⁹⁴

Johnstone said that he had presented his ideas to some of the directors in 1769, but no change had been wrought in the 'system of despotism' current in India. As the same issues had once again come to the fore of public debate, he had decided to publish his *Thoughts*.⁹⁵ The system of despotism that Johnstone referred to was an allusion to the governorship of Clive and Verelst,

⁹⁰ 'I am clear we hold these lands by conquest [...]. I deny that conquest by a subject lawfully made vests the property in the state though I maintain it conveys the sovereignty' (Johnstone, 'Speech on the East India Judicature Bill' (30 March 1772), in *Parliamentary History*, vol. 17, p. 377). By the latter point, Johnstone demonstrated that he did not deny the right of the British government to regulate the Company's affairs, but this did not convey the right to own its property, i.e. the acquired territories and their revenues (Cf. Pownall, *Right, Interest, and Duty*, pp. 23–24). Johnstone, in the same speech, attempted to provide a solution for the question of property and sovereignty of Bengal by arguing that 'the crown, under certain conditions, should grant the lands to the East India Company, as was done in the cases of New England and several other of our chartered colonies' (*Parliamentary History*, vol. 17, p. 377); cf. also Pownall, *Right, Interest*, p. 28; Harlow, *Founding*, II, p. 25.

⁹¹ W. M. Elofson, 'The Rockingham Whigs in Transition: the East India Company Issue 1772–1773', *English Historical Review*, 104 (1989), 947–74, (p. 955). Cf. however Bowen, *Revenue*, p. 141n39.

⁹² See Bowen, 'Question of Sovereignty'.

⁹³ [George Johnstone], *Thoughts on our Acquisitions in the East Indies Particularly Respecting Bengal* (London, 1771), BL, OIOC Tract vol. 107, p. 23.

⁹⁴ [Smith], *Measures*, pp. 14–22.

⁹⁵ [Johnstone], *Thoughts*, p. iii.

under whom attempts had been made to reform the Company's affairs in Bengal.⁹⁶ These reforms however had alienated servants who had found their scope for material gain reduced. Johnstone was specifically against Clive and the creation of the select committee in Calcutta (which had been instituted to deal with the Company's problems in 1765), because of the treatment John, his brother, had received in India; further, Clive had recommended to the directors that they prosecute John on his return to England. Johnstone was especially bitter as the Johnstone group had supported Clive in his bid to retain his *jaghire* in 1764, in the hope that he would, in return, support the interest of John in India.⁹⁷

What Johnstone found extremely objectionable about Clive's second tenure as governor (besides the dismissal of his brother) was the fact that Clive, on his return to Bengal as Governor and Commander-in-Chief, was given wide ranging powers.⁹⁸ The directors had also agreed to a select committee, composed of five people (one of whom was Clive), that could override the existing council in Bengal.⁹⁹ Clive was given the casting vote so he did not need a majority for his decisions to be enforced. The directors had envisaged this organisation to be a temporary expedient 'in order to restore peace and tranquillity'; when this was achieved, it was ordered that 'the said extraordinary powers are immediately to cease'. Despite this qualification, the power given to Clive was considerable, which was Johnstone's complaint; it left the initiative, in terms of retrieving the Company's position, in Clive's hands and the select committee were instructed to 'pursue whatever means they judge most proper to attain' the Company's objectives.¹⁰⁰

Whether Johnstone would have had less to say about this organisation if his brother had benefited from it can not be known with any degree of certainty; under different circumstances, he may have chosen to ignore events transpiring in the Bengal. In the event, he argued that it was the directors that deserved punishment for 'abrogating the old authority of the different presidents and councils, and appointing their incongruous secret and select committees, armed

⁹⁶ Johnstone, during the debate on the East India Judicature Bill in the Commons (30 March 1772) referred to Clive's reforms as 'a monstrous heap of partial, arbitrary, political inconsistencies' (*Parliamentary History*, vol. 17, p. 379).

⁹⁷ Sutherland, *East*, pp. 122–23; Parker, 'Directors', p. 150; Stuart, 'Lying', pp. 48–50.

⁹⁸ Company proclamation of 1/6/1764, cited in Lawson, *East India Company*, p. 104.

⁹⁹ Harlow, *Founding*, II, pp. 28–29.

¹⁰⁰ Forrest, *Life of Lord Clive*, II, p. 204.

with plenipotentiary authority, for crushing every honest spirit, who might be daring to oppose their iniquitous acts'.¹⁰¹ Johnstone blamed the condition of Bengal on the actions of the committees and the powers they had been given. He argued that the degree of despotic power already given to the servants had resulted in them amassing illicit fortunes and a decay in the prosperity of the province.¹⁰² Given this context, he stated, the idea of sending supervisors with additional powers was ridiculous: 'with such glaring examples before our eyes, we are ready to hurry our fellow subjects, and the miserable inhabitants under our protection, into yet a higher degree of despotism; and this attempt is not only tolerated, but supported by ministers of a free government'.¹⁰³ Johnstone saw the problem with the Company's government of Bengal as being the result of suspending the existing system of administration of the Company and investing discretionary powers in a few servants. However he conceded that the responsibilities of the Company had increased, and therefore it was necessary to invest her with the appropriate apparatuses to deal with her altered state of affairs. But he did not believe that the Company's problems could be dealt with by giving a few individuals wide-sweeping powers.

The significance of Johnstone's and Smith's arguments against despotic power can best be appreciated, as Johnstone himself argued, with reference to Ferguson's *An Essay on the History of Civil Society*.¹⁰⁴ Ferguson had argued that a despotic government was 'naturally' established 'in

¹⁰¹ [Johnstone], *Thoughts*, p. 24; Dalrymple also endorsed this view, arguing that restoring the Company's organisation to the 'antient Constitution' was the only way of correcting abuses ([Dalrymple], *Considerations on a Pamphlet entitled "Thoughts on our Acquisitions in the East-Indies, Particularly Respecting Bengal"* (London, 1772), pp. 4, 19). By contrast, Clive thought that the abrogation of the powers of the select committee in Calcutta (by the directors) was the cause of the Company's problems. He also blamed the British government for not working with the directors to form a 'plan adequate to such possessions', and for being concerned with 'immediate advantage' instead, see: *Lord Clive's Speech*, pp. 59, 57.

¹⁰² [Johnstone], *Thoughts*, pp. 24–25.

¹⁰³ *Ibid.*, p. 26.

¹⁰⁴ *Ibid.*, p. iv. There was no direct connection between Johnstone and Ferguson, however Johnstone was extremely close to Lord Elibank, who was a founding member of the Select Society and introduced Johnstone to John Home (the latter, when he became secretary to Lord Bute, helped Johnstone to gain the post of governor of West Florida). See: Fabel, *Bombast and Broad-sides*, pp. 3, 14–6. Furthermore George Dempster MP (1732–1818), who was part of the Johnstone group and director of the Company in 1769 and 1772, was a member of the Select Society and Poker Club. He recommended Adam Ferguson as a potential candidate for the second supervisory scheme; Johnstone and Dempster would clearly have exchanged ideas; Dempster has been discounted as a possible author for the *Thoughts* (which has been attributed to Johnstone, by for example, F. T. H. Fletcher, *Montesquieu and English Politics: 1750–1800* (1939; repr. Philadelphia: Porcupine Press, 1980)), on the basis that Dempster was in favour of the second supervisory commission (the fact that he had been opposed to the first one was remarked

the termination of a continued and growing corruption'. It could come into being before this point by 'tyrants' trying to 'augment their power', but despotism would always increase the corruption that it was intended to counter:

This method of government cannot [...] fail to introduce that measure of corruption, against whose external effects it is desired as a remedy. When fear is suggested as the only motive to duty, every heart becomes rapacious or base. And this medicine, if applied to a healthy body, is sure to create the distemper that it is destined to cure.¹⁰⁵

Any scheme of reform, in other words, that relied on the use of despotic power showed up the existence of corruption, as well as increasing it. Furthermore, despotism obtained obedience by fear; as Johnstone had said, it crushed 'every honest spirit' — it did not provide people with elevated sentiments or morals; rather, it corrupted their morals in the same way that the polite culture current in Europe debased them and made them incapable of living under any other system but despotism. The polite culture was one where merit was held to consist in 'prosperity and power' and disgrace in 'poverty and neglect'; 'real sentiments of humanity and candour' had been sacrificed for politeness.¹⁰⁶ It was only when men's moral sentiments became corrupted that despotism became possible: 'the rules of despotism are made for the government of corrupted men'.¹⁰⁷ Despotism, in other words, based on moral depravity, could not be expected to reform abuses, it would have been akin to vice promoting virtue.

By implication, the prevention of despotism relied on the maintenance of a nation's mores. This was why Johnstone's plan for reform took into account the passions of men. Good government in Bengal — that is government without recourse to arbitrary power — required the appropriate manipulation and balance of men's passions. He argued that there were three main passions that incited men into action; these were: ambition, which encouraged people to excel in comparison to their 'fellow citizens'; avarice which was the desire to increase one's social standing by amassing wealth; and whim, which was the skill of invention.¹⁰⁸ He argued that differences between nations could be explained by the extent to which these three passions were 'repressed

on in *Letter to Sir George Colebrooke*, p. 6). In addition Johnstone's admiration of Ferguson was clearly stated in *Speech of Mr George Johnstone in the General Court of Proprietors*, p. 2, where he argued that Ferguson was the 'greatest author this Age had produced'. On Dempster see: A. M. Lang, *A Life of George Dempster: Scottish MP of Dunnichen* (Queenston, Ontario: Edwin Mellon, 1998).

¹⁰⁵ Ferguson, *Essay*, pp. 240–41.

¹⁰⁶ *Ibid.*, p. 40.

¹⁰⁷ *Ibid.*, p. 240.

¹⁰⁸ [Johnstone], *Thoughts*, pp. 3–4.

or excluded'.¹⁰⁹ The best course of policy for any government, he stated, was to leave men to be stimulated by the passion they liked; if rulers interfered in this process, they would only harm the productivity of their inhabitants:

When government will take upon itself to prescribe *their* (men's) stimulus, and repress all others, it deprives itself of the fruits of the activity of the greater part of its subjects, whose activity, when founded on a stimulus of their own choice, will infinitely surpass all activity founded on authority. This is no wonder, when we consider, that the very love of life itself is found, in every individual to be built, not on what we think we ought to value, but on the value, habit or fancy have taught him to set upon it'.¹¹⁰

Johnstone argued that government had to be established in such a way that it encouraged the good aspects of these three passions 'without admitting more of the evil than is necessary, in obtaining the very good proposed'. The whole idea of managing rather than suppressing the passions has been explored by A. Hirschman; he relates how the idea of harnessing the passions had gradually become a solution considered more in 'harmony' with man's nature than repression.¹¹¹ Johnstone was drawing on such ideas as a basis for reforming British rule of India.

Johnstone went on to describe how, he believed, the passions that he had identified as being the cause of human action, were moderated in society. He argued that 'ambition' was checked by the 'emulation of other men', but the judge of conduct was the public — it was public scrutiny that forced people, 'in the uncorrupted stages of society, to be moral. This was why Tacitus had argued 'whoever contemns fame contemns virtue'. The negative effects of avarice, in turn, were moderated by ambition and the security of private property.¹¹² The best type of government was one where the passions were 'permitted to have their full exercise, in order to balance and controul each other'.¹¹³ Despotism, by contrast, suppressed and destroyed the passions of men.¹¹⁴ This was the interpretation that Johnstone offered of Montesquieu's description of despotism being like the savages cutting down a tree in order to obtain its fruit.¹¹⁵ Johnstone argued that the essence of Montesquieu's point was that all the passions were suppressed under despotism —

¹⁰⁹ Ibid., p. 2.

¹¹⁰ Ibid., p. 4n.

¹¹¹ A. O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism Before its Triumph* (Princeton: Princeton University Press, 1977), p. 17.

¹¹² [Johnstone], *Thoughts*, pp. 6–7.

¹¹³ Ibid., p. 9.

¹¹⁴ Ibid., p. 14.

¹¹⁵ 'When the savages of Louisiana want fruit, they cut down the tree and gather the fruit. There you have despotic government.' Montesquieu, *Spirit*, p. 59. See also the remarks of George Dempster during the debate on the Regulating Bill (3 June 1773), BL, Eg. MSS 249, pp. 262–63.

neither the negative nor the positive aspects of the passions were allowed to operate; instead all was destroyed.¹¹⁶

The implications of Johnstone's argument was that British rule of India should move away from a system that suppressed the passions — as had been the case of the despotism of the recent select/secret committees — and move towards its antithesis, which he identified as a system of liberty. Although the Indians were ill-qualified for liberty, there were 'many progressions between despotism and liberty'¹¹⁷ — the passions of the natives could not be given their full reign, he implied, but neither did they have to be suppressed or destroyed. Here Johnstone's treatment of despotic and free governments focussed on the impact they had on human passions, but the idea that there could be different degrees of despotism and liberty was precisely the point that Hume had made in his *Essays*. The French, for instance, could not be considered slaves simply because they did not 'share in the making of laws and give their consent freely'¹¹⁸ — they still enjoyed personal security. There is no doubt that Hume believed that 'liberty' — where power was divided amongst different bodies that were all forced to 'act by general and equal laws' — was 'the perfection of civil society'; yet civilised monarchies were also legitimate forms of government because they provided their inhabitants with security.¹¹⁹ Montesquieu had similarly identified political liberty as 'security' or the 'opinion one has of one's security', which ultimately rested on the quality of criminal laws: 'it is the triumph of liberty when criminal laws draw each penalty from the particular nature of the crime. All arbitrariness ends; the penalty does not ensue from the legislator's capriciousness but from the nature of the thing'.¹²⁰ The equation of political liberty with laws led Montesquieu to argue that it was possible for a people to be free where the constitution was not.¹²¹

While Johnstone and Smith understood that the rule of law could provide the Indians with the benefits of liberty in the sense of security, their understanding of the term 'liberty' encompassed

¹¹⁶ [Johnstone], *Thoughts*, p. 5.

¹¹⁷ *Ibid.*, p. 27.

¹¹⁸ Forbes, *Hume's Philosophical*, p. 142.

¹¹⁹ Hume, 'Origin of Government', p. 41. See also Forbes, *Hume's Philosophical*, pp. 167–68.

¹²⁰ Montesquieu, *Spirit*, pp. 188–89.

¹²¹ *Ibid.*, p. 187. A free constitution was one where the powers of government were separated, see *ibid.*, pp. 155–56.

more than that idea. This was why they insisted that the Indians could not enjoy liberty; the rationale that underpinned this statement was clearly articulated by Dalrymple, whose *Considerations* was written in response to Johnstone's *Thoughts*. Dalrymple argued:

I must insist that *freedom* can be enjoyed only by men *who enact their own laws, or who live under equal laws of ancient usage*: it is impossible for that state to be *free*, where the inhabitants in *general*, have no share in the government; and therefore no plan, to be executed by *Europeans only*, can convey the smallest portion of *freedom* to the Indians; abuses may be corrected, their persons and properties may be secured but these are very compatible with an *absolute despotic government*.¹²²

Consequently, for Dalrymple, as for Johnstone and Smith, liberty implicitly implied political participation. Their understanding of the term liberty did not admit of a distinction between a free constitution as enjoyed by Britain, and security of life and property. They accepted that the latter could exist without the former, but it was only where both were present that the people could be said to enjoy liberty. Dalrymple went on to demonstrate the consequences that would ensue if liberty was ever given to the Indians:

Admit, for a moment, the possibility of communicating, to the Indians, the *Liberty* we enjoy; the consequence of this Liberty *must be that force and elevation of mind* which has been so distinguishable in the British character. Does he [Johnstone(?)] think *Britons*, with this spirit, would submit to *Foreign Rulers*...therefore making the Indians *free*, We *expel* ourselves from *India*.¹²³

The fact that Dalrymple did not recognise a difference between what Montesquieu termed civil and political liberty — which was implicit in Hume's thought — was further illustrated by the fact that he argued that Indians should be governed as slaves. Dalrymple contended that the Indians in the British acquired territories were a '*conquered* people, who *must* be still *slaves*, however light the yolk: *Slaves* can only be governed by *despotick power*, and they will be *happily* governed, if that *despotick power* is constantly amenable to *impartial Justice*'. Hume did not believe that the subjects of civilised monarchies were slaves and Montesquieu had stated that civil liberty existed under a despotic government, although without political liberty, Montesquieu conceded, the people's condition was little better than slavery.¹²⁴

¹²² [Dalrymple], *Considerations*, p. 20 (see also pp. 21–22).

¹²³ *Ibid.*, p. 21.

¹²⁴ Montesquieu, *Spirit*, p. 256.

Johnstone and Smith may have objected to Dalrymple's argument that the Indians should be governed as slaves, but they were all in agreement with the proposal that the Indians should not be governed arbitrarily — Smith and Johnstone had termed such a government as despotic, but Dalrymple used the same term in the sense of absolute power. In addition, while their vision of liberty did not fall short of the British political system, enlightenment ideas regarding absolute monarchies provided them with a framework on which to build their plans for the reform of the Company's regime in Bengal. In addition, Johnstone and Smith were aware that it was not simply enough to establish laws in order to rescue Bengal from the excesses of arbitrary government, but that safeguards needed to be established in order to ensure that those laws were not violated. Their solution, was again drawn from the theory of free governments; Hume argued that good government under an absolute system wholly depended upon the character of the ruler, by contrast, under a republican and free system, the ruler was constrained from abusing power by the existence of 'checks and controuls'.¹²⁵ It was this fundamental idea, articulated by Hume in his 'That Politics may be Reduced to a Science', which pervaded Johnstone's *Thoughts*. What Johnstone envisaged was a system so created that it did not wholly rely on the virtues of the servants in order to prevent corruption. In the same way that he believed that morality did not have to depend on intention, but was the consequential result of ambition, so he wanted good government in India to be the result of the system, rather than the actors.¹²⁶

III. Checks and Balances

The problem of how the metropolis could maintain control over governors of its distant provinces was an ancient one. Smith and Johnstone believed that misgovernment of Bengal was the result of unregulated power being exercised by the Company's servants; consequently they both wanted to ensure that the servants did not enjoy arbitrary power. In order to achieve this they drew upon the enlightenment idea that politics could be reduced to a science:

So great is the force of laws, and of particular forms of government, and so little dependence have they on the humours and tempers of men, that consequences almost as

¹²⁵ Hume, 'Politics a Science', pp. 14–16.

¹²⁶ 'Any constitution of government, which requires from the conductors more than a moderate share of sense, a moderate share of experience, and a moderate share of virtue, does not deserve to be considered an establishment' ([Johnstone], quoting Chevalier de Ramsay, in *Thoughts*, 28n); the specific proposals of Johnstone's plan can be found on pp. 28–37. Cf. Anon., *A Plan for the Government of Bengal*, p. 5; see also [Dalrymple], *Considerations* for criticisms of Johnstone's plan.

general and certain may sometimes be deduced from them, as any which the mathematical sciences afford us.¹²⁷

A political system could be arranged in such a manner that it ensured that those in power promoted the well-being of its people; the common good, in other words, did not rest upon the virtue of the ruler. Hume argued, with implicit reference to the ascendancy of Robert Walpole in the 1740s, that it was not the character of the minister that determined how well or ill Britain was governed, but the quality of Britain's constitution — a well constructed constitution 'would never have suffered a wicked and weak minister to govern triumphantly for a course of twenty years'.¹²⁸

Hume's argument received its most well known rebuttal in John Brown's *Estimate of the Manners* for whom manners was of critical importance to the functioning of a political system — freedom depended on virtue.¹²⁹ In Ferguson as well, as Johnstone had shown, mores were crucial to the well-being of the political system. By contrast, in Hume's thought it was the constitution which influenced manners rather than virtue or vice influencing, in any way, the process of a well constructed political system.¹³⁰ Johnstone and Smith's plans reflect their implicit belief in the idea of a science of politics, although Johnstone's work, as we saw above, also stressed the importance of managing the passions; they both turned their attention to placing constraints — checks and controls — on the Company's exercise of power, but, at the same time, were also concerned with the impact the acquisitions would have on the balance of the British constitution, specifically the influence of the crown. Johnstone dismissed the idea of placing the acquisitions in the hands of the king, arguing that it would set a dangerous precedent for private property; he also argued that the Company could not survive without its political and military influence. He stated that the present ills in Bengal were the result of 'some corrupt deviation' — Clive and the

¹²⁷ Hume, 'Politics a Science', p. 16.

¹²⁸ Ibid., p. 29.

¹²⁹ 'We all wish to continue free; tho' we have not the Virtue to secure our Freedom. The spirit of Liberty is now struggling with the *Manners and Principles*, as formerly it struggled with the *Tyrants* of the time', John Brown, *An Estimate of the Manners and Principles of the Times* (London, 1757), p. 18; see also: Forbes, *Hume's Philosophical*, p. 224.

¹³⁰ Forbes, *Hume's Philosophical*, p. 227. See also Hume, 'Politics a Science', p. 25, where it was argued: 'good laws may beget order and moderation in the government, where the manners and customs have instilled little humanity or justice into the tempers of men'.

select committee. This could be rectified, he believed, by 'props and balances' being added to the old system rather than by the creation of a new one.¹³¹

Johnstone was drawing on the concept of the balanced constitution, which was an idea used to explain the way that the equilibrium between the different components of the mixed government (of Britain) was preserved. The three elements (monarchical, aristocratic and democratic), although dependent on each other, were given separate functions and privileges by which means they prevented one another from abusing power;¹³² significantly however, these separate functions were not the demarcation of the three powers of government espoused by the separation of powers theory.¹³³ The distribution of power amongst separate interests ensured that a balance between the interests was maintained.

The poise could be disturbed by one of the constituent parts of government acquiring additional influence. Where this occurred, the other component parts had to combine together in order to preserve the balance. However it was also espoused by some theorists that the balance could be preserved by the powers of government pulling in opposing directions — as opposed to forming coalitions.¹³⁴ Both of these ways of thinking about the maintenance of the balance found expression in Ferguson, who was used by Johnstone to support his argument.¹³⁵ David Wootton points out that 'checks' and 'balances' had originally been associated with two separate ideas: the latter with the doctrine of the separation of powers, and the former with the theory of mixed

¹³¹ [Johnstone], *Thoughts*, pp. xi–xii.

¹³² M. J. C. Vile, *Constitutionalism and the Separation of Powers* (Oxford: Clarendon Press, 1967), p. 68.

¹³³ Dickinson, *Liberty and Property*, pp. 144–45.

¹³⁴ David Wootton, 'Liberty, Metaphor, and Mechanism: "Checks and Balances" and the Origins of Modern Constitutionalism', paper delivered to the School of Public Policy Seminar, University College London (13 Nov 2002), pp. 14, 18. This paper can be viewed on the web at: <http://www.constitution.org/lg/check_bal.htm> [accessed 27 July 2005].

¹³⁵ 'Liberty is maintained by the continued differences and oppositions of numbers, not by their concurring zeal in behalf of equitable government. In free states, therefore, the wisest laws are never, perhaps dictated by the interest and spirit of any order of men: they are moved, they are opposed, or amended, by different hands; and come at last to express that medium and composition which contending parties have forced one another to adopt'.

'It is well known, that constitutions framed for the preservation of liberty, must consist of many parts; and that senates, popular assemblies, courts of justice, magistrates of different orders, must combine to balance each other, while they exercise, sustain, or check the executive power. If any part is struck out, the fabric must totter, or fall; if any member is remiss, the others must inroach', Ferguson, *Essay*, pp. 128, 267. Sections of above quoted by [Johnstone], *Thoughts*, pp. 21, 10.

governments.¹³⁶ However, Wootton argues that the second interpretation of the process by which a balance was achieved in the constitution, brought the concept 'close enough to the idea of the separation of powers for checks to be routinely identified with balances'.¹³⁷

Johnstone's plan for the government of Bengal drew on the idea of both checks and balances. He wanted 'props and balances' to be added to the existing structure, and 'control', one meaning of 'check', to be placed on power.¹³⁸ The same point is also true of the plan formulated by Smith, explored below. However, by contrast to Johnstone's argument, Smith thought that fears regarding the influence of the crown were misplaced. He argued that the returning rich individuals from India posed a greater threat to the British constitution: these men, he argued, 'have no fixed nor permanent interest in the state, they are consequently more easily induced to encrease the influence of the crown, than the gentlemen of landed possessions, who are now growing too weak, to balance the overgrown weight of that monied property'.¹³⁹

The potential threat that the Company's acquisitions represented to the British constitution led Smith to urge for government intervention, and Johnstone did not preclude the need for legislation. The balance of the British constitution, in other words, was not self-stabilising. Yet the plan of rule for Bengal, advocated by Johnstone and Smith, drew on the idea of government as a system or 'machine' that was 'self-regulating';¹⁴⁰ a system that was constructed in such a way that any abuses committed by one part of the structure were automatically prevented by another. This concept was enshrined in Smith's plan. He argued that checks had to be grafted onto the 'ancient principles of government' of India in order to prevent 'anarchy and oppression': 'my plan is to establish two great powers, whose public interests shall be the same but private interests opposite; so that one will consequently take the alarm, whenever the other shall attempt to pursue its own private advantage at the expense of the public'.¹⁴¹ Smith wanted a viceroy and

¹³⁶ Wootton, 'Liberty, Metaphor', p. 17. Wootton points out that the two ideas are kept distinct in Montesquieu's *Spirit*, see: 'Liberty, Metaphor', p. 17.

¹³⁷ *Ibid.*, p. 18.

¹³⁸ [Johnstone], *Thoughts*, pp. xii, 23; Wootton, 'Liberty, Metaphor', p. 15. Cf. also Johnstone, BL, Eg. MSS. 249, p. 30, where he argued that absolute power may be necessary for conquests but 'check', 'control' and 'regulation' was needed for the collection of revenue.

¹³⁹ [Smith], *General Remarks*, pp. 56–57.

¹⁴⁰ Wootton, 'Liberty, Metaphor', p. 23.

¹⁴¹ [Smith], *Measures*, p. 12.

council (representatives of the King) to be put in charge of the territories 'political and civil affairs', whilst the Company was to retain enough powers to conduct their commerce and protect themselves from oppression.¹⁴² These were the two powers that would keep each other in balance by their separate interests and functions.

The clearest expression of a plan for Bengal that relied on the idea of checks and balances can be found in the *Present State*.¹⁴³ Its author spoke of the 'machine of political government',¹⁴⁴ and wished to create different institutions in India, which would each enjoy separate functions and privileges, and would keep each other in check.¹⁴⁵ The author of the *Present State* argued that 'a regular gradation of effectual political checks' had to be established' in order to prevent the abuse of power.¹⁴⁶ He proposed that sovereignty should belong to the 'national government',¹⁴⁷ and a 'controlling deputation' to be established in India. This was to be distinct from, and supervise, the executive parts of government that would be created in all the 'territorial governments'. The 'controlling deputation' would be restrained from interfering with the executive by the terms of its powers, and by the fact that it would be physically located at a distance from the 'territorial governments'.¹⁴⁸

The author of the *Present State* thought that his scheme would remove 'the principal source of corruption; and the grand stumbling block of virtue' — that is, trust would not have to be reposed in the integrity of the administrators;¹⁴⁹ he even proposed the setting up of mixed

¹⁴² Ibid., pp. 15, 22. Wootton, 'Liberty, Metaphor', p. 28, argues that the doctrine of 'checks and balances' also encapsulates a third tradition, that of the 'need for precautions against the tyranny of the majority', associated with de Lolme. In the context of governing India, it was not the Indians, as a 'meek' race, that might act tyrannically, but, as had already been seen, the Company. Checks and balances would prevent the Company from abusing power, but it would still retain sufficient influence to prevent the British government from treating it, and the Indians, despotically in turn. Cf. the remarks of Johnstone and Sullivan during the debates on the Regulating Act; Johnstone felt that concerns of the Company could not be separated, whilst Sullivan similarly argued that the Company could not function if its powers were separated into different bodies, BL, Eg. MSS 249, pp. 138, 168.

¹⁴³ Other publications that relied on the concepts of checks or balances or both include: Anon., *Enquiry into the Rights of the East-India Company of Making War and Peace*, p. iv; Anon., *True Alarm*, 112; Anon., *Plan for the Government of the Provinces*, pp. 15–19.

¹⁴⁴ Anon., *Present State*, p. 31.

¹⁴⁵ Ibid., pp. 127–28.

¹⁴⁶ Ibid., p. 153.

¹⁴⁷ Ibid., p. 67.

¹⁴⁸ Ibid., pp. 125–27.

¹⁴⁹ Ibid., p. 128.

European and native juries arguing that 'these juries would prove the Magna Charta, the palladium, the true security of Indian liberty and property, against the despotism and extortion of their foreign government'.¹⁵⁰ Whilst he wanted sovereignty to rest with the British government,¹⁵¹ he wanted the Company to continue to exist as a powerful interest. He envisaged them existing as a middle interest, between the natives in India and the British government, and functioning as a weight against the despotism of government.¹⁵² In the end, the desire to prevent despotism led to a coming closer to its antithesis. While the liberty enjoyed in Britain could not be conveyed to the natives, some of the principles that safe guarded it in Europe, would nevertheless be used to prevent Company despotism in Asia.

Conclusion

By the end of 1772 there were three different committees investigating the Company's activities: one appointed by the General Court of the Company, and two by the House of Commons (one Select and the other Secret).¹⁵³ In 1773, the British Government, after much negotiation with (and opposition from) the Company, passed the Regulating and Loan Acts.¹⁵⁴ The Regulating Act attempted to rectify the problems of the Company both at home and abroad, which had been highlighted in the debates that had taken place in parliament, in the general court and the

¹⁵⁰ Ibid., pp. 147–49. Earlier, on p. 47, he had argued that Indian juries would undermine British power in India; here however he advocated the establishment of Indian juries as long as they were conscious of their dependence on Europeans. Cf. also Montesquieu, *Spirit*, p. 158.

¹⁵¹ The writer did not think that sovereignty could be shared between the Company and the state, as instead of keeping each other in check, they would collude to 'screen' the abuses of one another, see: *Present State*, 102–03.

¹⁵² Ibid., pp. 67–68. Montesquieu had argued that the existence of the nobility as an intermediary power prevented a monarchy from being a despot, *Spirit*, p. 18. The nobility were distinct from the eunuchs in Montesquieu's *Persian Letters*, in that the eunuchs did not have autonomous power, and they could not therefore moderate the power of their master, (see: *Spirit*, p. 66). In this context, both Smith and the *Present State's* insistence that the Company retained some privileges demonstrated that they wanted it to act as a restraint on the British government in the same manner as the nobility in a monarchy. In this way the Company would also act to maintain the balance of the British constitution. The *Present State* argued that the 'middle state' (Company) would carry a 'mighty poise into the scale of liberty, in opposition to the despotism of the government', p. 68.

¹⁵³ Bowen, *Revenue*, p. 148; Johnstone was part of the Company's Committee and the Parliamentary Select Committee, see: *ibid.*, pp. 134, 148.

¹⁵⁴ 13 Geo. III, c. 63 and 13 Geo. III, c. 64 respectively; for the protracted negotiations between the Company and the administration, which led to these pieces of legislation, see: *ibid.*, chs 10 and 11.

literature (ephemeral and otherwise) of the time.¹⁵⁵ Amongst other provisions, the Act altered the way the directors were elected,¹⁵⁶ changed the voting qualification in the Court of Proprietors¹⁵⁷ and created the position of Governor-General;¹⁵⁸ Warren Hastings was appointed to this post and, in addition, four councillors were also appointed. They were: Sir John Clavering, George Monson, Richard Barwell and Philip Francis. It also provided for the establishment of a Supreme Court of Judicature by the Crown.¹⁵⁹

The Company and its supporters fiercely opposed the passage of the Bill arguing that the sanctity of private property and the balance of the constitution were at stake.¹⁶⁰ However this opposition was ultimately overcome and the bills were passed. The subsequent implementation of the Regulating bill, specifically in Bengal, would reveal its inadequacies, however individuals with extensive knowledge of East Indian affairs, such as Clive and Sullivan, felt that the Regulating Act had addressed the problems that the Company had faced in London as well as in India.¹⁶¹

All the writers explored here, despite their differing convictions, accepted the need for reform; it was acknowledged that the nature of the Company's enterprise had been altered and 'something' had to be done in order to meet its additional responsibilities. However, without any agreement on the demarcation of the powers and responsibilities of the British government and Company, there could be no consensus on how best to deal with the affairs of the Company.

¹⁵⁵ For examples of the ways the Regulating act addressed the specific problems that had been identified with the Company's government of Bengal during the course of the debates that took place at this time, see: Marshall, *East Indian Fortunes*, pp. 139, 141, 143, 179.

¹⁵⁶ Only six directors were to be elected every year under the Act, see: Bowen, *Revenue*, p. 178. North remarked 'if there is any want, if there is any defect in the present constitution universally complained of it is in the weakness of the Court of Directors compar[e]d to the immensity, and importance of the concern' (BL, Eg. MSS 249, p. 84).

¹⁵⁷ The qualification to vote in the General Court of Proprietors was raised from £500 to £1000, see: Bowen, *Revenue*, p. 178.

¹⁵⁸ Cf. Johnstone who argued during the Commons debate on the Regulating Bill: 'presidents acting under federal union, are infinitely stronger than established under one head' (BL, Eg. MSS 249, pp. 143-44).

¹⁵⁹ Dodwell, *The Cambridge History of India*, vol. v, pp. 188-89.

¹⁶⁰ Cf. the speech of James Adair, who presented the Company's objections to the bill to the Committee of the whole House on the East India Company's affairs, BL, Eg. MSS 249, pp. 65-66. Cf. also the long exchange between Johnstone and North reported in BL, Eg. MSS 250, pp. 291-301.

¹⁶¹ Bowen, *Revenue*, p. 189.

The Regulating Act saw the creation of a stronger executive authority in India and sought to give stability to the Company's affairs at home by reforming the directorate: these were measures that Clive had advocated in his speech in 1769 referred to at the beginning of this chapter.¹⁶² The plans put forward by Johnstone, Smith and the *Present State*, attempted to provide an alternative to the solution that was adopted.¹⁶³ They did not believe that a more powerful council and governor would lead to better government: it would not prevent corruption and disobedience, and furthermore such powers were incompatible with the British constitution. The existence of Company despotism abroad presented to these would-be reformers a unique problem. They wanted to protect Europeans and Indians from despotism, but considered the 'natives' to be ill-qualified for the kind of liberty enjoyed in Britain.¹⁶⁴ Yet it became clear from their arguments that one depended on the other. Governments in Europe, Montesquieu had suggested, were moderate because the three powers of government were not placed in one person; further, political liberty existed in those moderate governments where power was not abused; this in turn could only be guaranteed where government was so organised that power checked power.¹⁶⁵ In addition, moderate governments also rested on the complex interplay of passions. Governments were underpinned, as Montesquieu phrased it, by certain springs — for example the existence of honour in monarchical governments, which encouraged all to promote the common good.¹⁶⁶

By the definition of the term 'liberty' as freedom from the danger of arbitrary power, a system of checks and balances clearly communicated 'liberty' to the Indians and protected the liberty of the British residing in India. However liberty, as it was employed here, clearly entailed more than

¹⁶² See: BL, Eg. MSS 218, pp. 154–56; cf. Sir John Malcolm, *The Life of Robert Lord Clive: Collected from the Family Papers Communicated by the Earl of Powis*, 3 vols (London: J. Murray, 1836), III, pp. 265–72, 303–05.

¹⁶³ In response to Clive's recommendation for a governor and council general in India, Johnstone had remarked 'this savours of the same arbitrary despotism, that one man should rule over the whole' (BL, Eg. MSS 218, p. 169). However, see also: '[Hastings (?)] to the Directors', BL, Add. MSS 38398, fol. 97^r, where it was recommended that greater power should be concentrated in 'a single point' and in order to prevent such power from being abused, 'powerful checks' should be provided.

¹⁶⁴ Johnstone likened giving freedom to Indians as being akin to 'letting in the light upon those who have long been confined in a dungeon' ([Johnstone], *Thoughts*, p. 23). Smith also made a similar point, *General Remarks*, pp. 11, 65, yet he also acknowledged that granting liberty to the Indians was incompatible with Britain possessing Bengal as a 'conquered tributary state', suggesting that if the Indians did enjoy freedom, they would not submit to foreign rule ([Smith], *General Remarks*, p. 68). Cf. also A. B., *Letter to the Right Honourable Lord North*, pp. 34–35.

¹⁶⁵ Montesquieu, *Spirit*, pp. 155–57.

¹⁶⁶ *Ibid.*, pp. 26–27. See: Nannerl O. Keohane, *Philosophy and the State in France: the Renaissance to the Enlightenment* (Princeton: Princeton University Press, 1980), ch. 14.

freedom from capricious power. It implied some form of political participation: this was not on offer to the Indians. Smith, Johnstone and the writer of the *Present State*, in their respective plans, drew on the ideas of the separation of powers and the balanced constitution, in order to construct their plans for the government of Bengal. They wanted different functions assigned to separate bodies, which would keep each other in check, and they envisaged a system that would regulate itself without the need of discretionary powers or an excess of virtue. What they wanted to construct was a system of government in India with the apparatuses and processes of a 'free' government, but without the (British) liberty that should normally have accompanied it.

Chapter 5

Sir James Steuart (I): Bengal and the Drain of Wealth

The reform of the East India Company in London and India was ultimately aimed at restoring a beneficial commercial relationship with the acquired territories. As Nathaniel Smith argued: ‘an extensive commerce is the great and capital advantage which England ought to expect from these acquisitions; and consequently the politics of India should be principally directed to this end’.¹ Chapter three showed how critics believed that the Company’s position as a merchant-sovereign was harming the prosperity of Bengal, and reducing the benefit that Britain derived from her. It revealed that the servants, in their dual capacity, followed policies which were against the long-term interests of Bengal — policies that obtained the golden-eggs from the chicken by killing it. One of the negative policies that was identified by the range of publicists explored in section two of this dissertation was the ‘drain’ of Bengal’s wealth to Britain. On this topic, the 1773 issue of the *Annual Register* stated:

However great the opulence of Bengal may be [...] it was not founded upon any inherent treasure in mines but depended solely upon the labour and industry of the people, upon commerce, manufactures, and agriculture, it cannot be supposed that it could long bear the sending of between seven and eight hundred thousand pounds sterling of its capital stock, annually out of the country, without a possibility of its return.²

Arguments such as the one set out above, betrayed a belief in mercantilist principles. That is, the belief in the importance (for the power of the state) of sustaining the level of money in a country by ensuring greater sales of exports than imports, and the importance of maintaining the circulation of money for the continued industry of the people. While these views were not universally held in this period, the directors acknowledged that, by 1772, Bengal was facing acute monetary problems. By this date, the wider financial problems of the Company also came to a head: Parliament was reconvened in late November 1772, specifically to deal with the affairs of the Company, and a House of Commons Secret Committee was established by Lord North in order to investigate the Company’s management of its concerns.³ This chapter firstly considers the causes of the Company’s distress that ultimately led it to seek a loan from the government. It

¹ [Smith], *Observations*, p. 5.

² *Annual Register* (1773), no. 16, p. 65.

³ Bowen, *Revenue*, pp. 130, 144–45.

then proceeds to consider the drain of wealth theory as it was advocated by Harry Verelst during his tenure as governor of Fort William.

Sir James Steuart was engaged by the Company's directors to find a solution for the monetary problems afflicting the Company in Bengal.⁴ He identified substantially the same causes of the problem as Verelst had highlighted before him.⁵ The third section of this chapter considers Steuart's theory of international trade in the broader theoretical context of enlightenment political economy, specifically in relation to David Hume's ideas regarding money and trade. The chapter then considers Steuart's proposals for the reform of Bengal's problems. The fact that Steuart was aware of the wider difficulties faced by the Company, other than the specific one he had been called upon to address, is borne out by the fact that his treatise was not solely concerned with the principles of money; it also provided hints as to the foundations on which the Company should conduct its commerce with Bengal. He believed that the Company's altered status in Bengal — from traders to rulers — should also have transformed the policy the Company pursued in that territory.⁶ Central to Steuart's plan, and to his thought generally, was the concept of self-interest — the execution of his reforms relied upon this concept, and it will be fully explored in the next chapter.

I. The Company, *Diwani* and Trade

After the acquisition of *diwani* in 1765, the Company's trade had been restructured to enable the transfer of Bengal's revenue to Britain. The directors believed that the revenue could not be sent directly to England in the form of gold and silver, because it would reduce the quantity of coins circulating in Bengal. Instead the realisation of Bengal's revenue in Britain was dependent upon the successful sale of Indian goods and tea in Europe. Upon becoming the *diwan* of Bengal, Bihar and Orissa, the Company had ceased its shipments of bullion to the sub-continent, by which it had traditionally financed its trade in India. The directors now expected to meet their investment needs from the acquired revenue; surplus revenue was used to purchase Indian goods that were either sold in China or sent to Britain. The money that was gained from the sales of goods in

⁴ Sen, *Economics of Steuart*, p. 155.

⁵ Steuart, *Principles of Money*, p. 62–63; 'Verelst to Court' (25 Sep 1768), in *FWIHC*, V, pp. 467–68.

⁶ See for instance: Steuart, *Principles of Money*, p. 69.

China was used to purchase tea, which was then sent to Europe.⁷ This new organisation of the Company's trade, and the assumptions that underwrote it, proved to be financially disastrous in the decade after the revenue was acquired. This was a fact that was noted, for instance, by one contemporary observer who complained that the 'original plan' of the Company's commerce had been more beneficial to the Company than its current course.⁸

Lord Clive had of course negotiated the treaty of Allahabad by which the Company had acquired Bengal's revenues. He had established the dual system of rule in Bengal believing it to be the most expedient method by which the Company could profit from its newly obtained source of wealth. Under this system, while the Company enjoyed the benefits of *diwani*, the actual administrative responsibilities of the office were entrusted to Indian officials. Muhammad Reza Khan was the *naib* (or prime minister as the British called him), who oversaw, and was crucial to, the running of Bengal's government — especially as the Company servants in Bengal did not have the requisite resources to manage the concern themselves.⁹ This system increasingly came under attack when the valuation of the acquired territorial revenues made by Clive in 1765 was not realised in practice. After the first year of collection by the Company, the revenue yield began to decline.¹⁰ Clive's successor, Harry Verelst argued that Clive's estimation of Bengal's revenues had been over-inflated, which had led to unrealistic demands being placed on them.¹¹ The directors, however, thought that the problem lay in Clive's dual system, and advocated a more direct policy of administering the collection process. As a consequence, Reza Khan saw his position and integrity gradually undermined, and by 1772, the revenue collections had been wholly reorganised and were firmly in the control of the Company's servants.¹²

⁷ Bowen, 'Tea, Tribute', p. 163; Bowen, 'Sinews of Trade and Empire: the Supply of Commodity Exports to the East India Company During the Late Eighteenth Century', *Economic History Review*, 55, 3 (2002), 466–86, (p. 469). Cf. Holden Furber, *John Company at Work: a Study of European Expansion in India in the late Eighteenth Century* (Cambridge, Mass.: Harvard University Press, 1948; repr. 1951), pp. 164–66.

⁸ Anon., *A Letter to a Late Popular Director Relative to India affairs and the Present Contests* (London 1769), pp. 9–10.

⁹ Khan, *Transition*, pp. 102–05; Jones, *Warren Hastings*, pp. 61–62. For Clive's defence of the system he established, see: OIOC, MSS Eur. E12, pp. 76–80.

¹⁰ Bowen, *Revenue*, pp. 103–04. See the 'Statement of Bengal Revenue' from May 1758 to April 1771, in: 4th Report (24 March 1773), Secret Committee, in *RCHC*, IV, pp. 98–100.

¹¹ 'Verelst to Court' (25 Sep 1768), in *FWIHC*, V, p. 469; Khan, *Transition*, p. 131.

¹² See: Khan, *Transition*, pp. 199–263; Bowen, *Revenue*, pp. 114–15.

The Company in London's financial commitments to the British exchequer, and to the Company's proprietors in the form of high dividend payments, led the directors to call for greater control of the revenue collections of Bengal.¹³ They believed that Clive's system had left scope for corruption in the hands of the Indian collectors; direct control of the revenue was meant to eliminate this problem and increase efficiency, thereby ensuring a rise in the Company's income from this source.¹⁴ The changes in the collection, which occurred gradually, did not however avert the financial crisis of the Company: territorial control of Bengal increased the Company's military and civil expenses; the directors had expected the acquired revenues to be sufficient for defraying their costs abroad, and for financing their investments, but the Fort William Council found, in October 1769, that it needed to create an emergency fund.¹⁵ This was financed by accepting cash from servants who wanted to transfer their private fortunes to Britain, and issuing them instead with paper bills that were payable in London. The Company set limits in 1768 and 1769 on the number of bills that the servants in India could issue, but these were not adhered to, and by 1772, the directors found that there had been a significant growth in the number and value of bills that they were required to honour.¹⁶ This proved to be disastrous as the demands fell at a time when the Company in London was least able to meet them.

The directors' reliance on reaping the fruits of *diwani* by the sale of tea and Indian goods in Britain and Europe meant that a failure to sell sufficient quantities of stock would leave them short of funds. This is precisely what precipitated the Company's crisis in 1772. There were two articles of trade that the directors particularly relied upon and were keen to encourage, because of their demand in Britain. These were raw silk and tea; they became the principal way that the revenues of Bengal were transferred to Britain and were both, for this reason, considered to be of national importance.¹⁷ This was why the directors encouraged innovation in the Indian silk industry; they aimed to expand the production and improve the quality of the silk the Company obtained. However the Company did not become a leading supplier of this commodity in Britain

¹³ Khan, *Transition*, pp. 246–47.

¹⁴ *Ibid.*, p. 189; Jones, *Warren Hastings*, pp. 63, 119.

¹⁵ 'Verelst to Court' (5 April 1769), in *FWIHC*, V, p. 552.

¹⁶ Bowen, *Revenue*, p. 119. See also: 8th Report (11 June 1773), Secret Committee, in *RCHC*, IV, pp. 355–59.

¹⁷ Bowen, *Revenue*, p. 106; Bowen, 'Tea, Tribute', p. 163.

until the 1790s.¹⁸ In the case of tea, the directors instructed their servants to purchase ever greater quantities of it from China by the shipment of bullion from Bengal — the sale of Indian goods in Canton did not provide the requisite funds.¹⁹ The export of bullion contributed to the specie shortages problems of Bengal that Steuart was asked to address — and that led the Fort William Council to create an exigency fund.

The expansion of the Company's tea trade in the late 1760s did not represent sound commercial sense as by the middle of this decade they possessed large quantities of unsold tea in their warehouses.²⁰ In other words, the Company's supply of tea exceeded domestic demand. As Bowen, in his 'Tea, Tribute', points out, the Company increased its supply of tea without considering how demand for this product in Britain could be augmented. In theory, the Company was the sole supplier of this commodity, but in practice, its trade was increasingly undermined by the existence of an illicit trade in tea. The legal, Company, tea-trade was also hampered by the way it was structured: the Company sold its tea to dealers who then sold it to consumers; the dealers did not share the priority of the Company directors of encouraging the growth of tea consumption.²¹ The Company's trade was aided by a reduction of government duties payable on tea (Indemnity Act, 7 Geo. III, c. 56) making it cheaper; this was also true of tea that was re-exported to the colonies despite the Townshend duties Act (1767).²² This advantage was however cancelled by the protests of the colonists against the duties, and the tea dealers who did not communicate the cheaper price to their customers.²³

By 1772, Bowen estimates that the amount of unsold tea possessed by the Company accounted for sixty-three per cent of its total of unsold goods.²⁴ In other words, the Company's capital lay in its warehouses, in the form of tea, at a time when it needed liquid funds. This deficiency did not present a novel problem to the Company in London: it frequently relied on credit from the Bank

¹⁸ Bowen, *Revenue*, pp. 106–07; Marshall, *Bengal*, p. 108.

¹⁹ Bowen, *Revenue*, p. 108.

²⁰ Bowen, 'Tea, Tribute', p. 161.

²¹ *Ibid.*, pp. 164–68.

²² *Ibid.*, pp. 168–70. See also: Bowen, *Revenue*, pp. 122–23.

²³ Bowen, 'Tea, Tribute', p. 170. The protests that the Townshend Duties gave rise to in North America, and the conflict that ensued has been explored in P. D. G. Thomas, *The Townshend Duties Crisis: the Second Phase of the American Revolution 1767–1773* (Oxford: Clarendon Press, 1987).

²⁴ Bowen, *Revenue*, p. 122.

of England to relieve its cash-flow problems.²⁵ In 1772 however, there was a general credit crisis in the City of London; this, along with the high dividend the directors had maintained despite their realisation that it was unsustainable, and the increased number of bills of exchange that were issued by the Fort William Council, meant that the Company was unable to meet its financial commitments to the British government. The directors were forced to turn to the government for help, and so began the process that was to culminate in the 1773 Regulating and Loan Acts.²⁶

II. Verelst and the 'Drain'

The way the Company's trade was organised after the acquisition of Bengal's territorial revenues, increasingly came under fire as the financial difficulties of the Company unfolded. Verelst, as governor of Fort-William Council between 1767–1769, was well placed to point out the errors of the policy the directors were pursuing. The directors, as we have seen, entertained the prospect of great profit from the *diwani* grant and financed greater investment in Indian goods and tea from China by using surplus funds from the revenue as a means of transferring the wealth to England. Verelst, however, firstly believed that the value of the territorial grant had been misrepresented, and secondly, that the desire to extract as much money as possible from the acquisitions — which had seen the abandonment of Clive's dual system — harmed the long term interests of the Company.

Verelst argued that Clive's projection of the profit the Company could hope to reap from the late acquisitions in India represented an optimum amount — it was a sum the Company could hope to collect 'by prudential management rather than as an accurate account of what has really been or could be in this present state collected'.²⁷ Verelst pointed out that Bengal had been 'much sunk in opulence' when she had come under the control of the Company. What he meant by this was that Bengal's trade had been recently disrupted by political unrest and she had, as a consequence, lost significant amounts of her treasure. Specifically, he stated, Bengal had been plundered by the Marathas and Bengal's recent rulers — he accused Mir Kasim alone of withdrawing 'three and

²⁵ Bowen, 'Investment and Empire', p. 188.

²⁶ Bowen, *Revenue*, pp. 126–28.

²⁷ 'Verelst to Court' (25 Sep 1768), in *FWIHC*, V, p. 469.

five Crores of Rupees' from the country when he had fled in 1763.²⁸ This trend (of a 'drain' of treasure from Bengal) had continued under Company rule; the servants had used Bengal's revenues to pay the requisite tribute to the Mughal emperor, to finance the Company's tea trade in China, and to meet the needs of the other Company Presidencies in India.²⁹ Further, treasure had been lost by the acquisition of private fortunes by the servants in Bengal and its transmission to England. Similar 'drains' were also identified by Steuart in his report, and by many other contemporary publicists of the time.³⁰

The policy the Company had pursued upon becoming *de facto* sovereign, Verelst argued, had not been calculated to increase the 'opulence' of Bengal. Verelst argued that the basis of that country's wealth rested upon the quality of her manufactures, which were highly demanded abroad, and her extremely limited demand for imported goods. Foreign merchants, Verelst explained, had been forced to purchase her goods with imported bullion, which was how Bengal had increased her stock of gold and silver.³¹ Revenue collected by Mughal officials had been kept in circulation by being distributed to court favourites and nobles, whose extravagant expenditure had diffused the money amongst 'the people in general'.³² This process had been disrupted by the Company's activities: the directors had ceased sending bullion to India in order to finance its activities, and foreign companies had found it unnecessary to bring bullion from Europe because the prohibition faced by the servants of the English Company relating to the transmission of their private fortunes placed these funds at the disposal of the foreign companies (as the English

²⁸ Ibid., p. 467. A *crore* was the term for ten million. See also: Steuart, *Principles of Money*, p. 61; [Smith], *Observations*, pp. 8, 28; [Smith], *General Remarks*, p. 83.

²⁹ 'Letter to Court' (25 Sep 1768), in *FWIHC*, V, p. 468. [Smith], *Observations*, pp. 26–27, 28–29, observed that the directors, when the revenues ('great stream of riches') 'flowed into our treasury', had 'thought themselves in possession of an inexhaustible source of wealth—at least their conduct gave room for the supposition; for money was lavishly sent away in specie every year to Bombay, Madrass, and China, until the source was almost dried up.—This the Company could not have afforded, if the county could have borne it'. Smith further stated that the directors needed to examine their own policy of 'sending money out of the country', instead of 'exclaiming against the conduct of their servants abroad'; the directors' policy, he argued had been equally destructive of Bengal's prosperity.

³⁰ 'Verelst to Court', (5 April 1769), in *FWIHC*, V, p. 548; Steuart identified five drains on the wealth of Bengal, they were: imports paid for by the money of the country, investment capital sent to China, tribute sent to the emperor, purchase of diamonds (that were given as presents to servants) and the lending of money to foreign companies, see: Steuart, *Principles of Money*, pp. 62–63. In addition, Anon., *True Alarm*, pp. 64–75, calculated that the private fortunes transmitted to Europe every year amounted to £700,000. See also: Keir, *Thoughts*, pp. 28–29; Anon., *Present State*, pp. 35–36; Khan, *Transition*, pp. 174–75.

³¹ 'Verelst to Court' (5 April 1769), in *FWIHC*, V, pp. 546–47.

³² Ibid., pp. 547–48.

servants used them to transmit their fortunes back to Britain).³³ In Verelst's opinion, these recent developments had removed wealth from circulation, and left Bengal with a negative balance of trade:

I have observed that one great advantage the Country formerly reaped, was the diffusion of its Revenues by large grants to different Families, and by the Expensive luxury of its Governors, but now the whole amount of the Lands is swallowed up in one Gulph your Treasury, nor does any part of it return into circulation, except the Sum issued for our Investment & necessary Expences; so that there ensues an annual Loss to the Currency.³⁴

The context of the identified 'drains of wealth' and the negative balance of trade, argued Verelst, accounted for the shortage of specie in Bengal that the council had complained of since at least 1767.³⁵ He pointed out that they, the servants in Bengal, had continued to collect the revenue at the highest rate possible despite believing personally that the Company should have moderated their demands. Even with their best efforts, their present situation, he asserted (he was writing in September 1768), could only be described as 'distressed'.³⁶ He went on to state that they could no longer 'remit a single Rupee in specie home'.³⁷ Verelst ultimately held the directors responsible for the Company's financial difficulties; he observed:

A superficial or weak observer may estimate a Country like an Estate from its Rent Roll but the man of Experience and reflection will Easily see that its Annual Income must depend on the proportion of its produce which can be realized in Specie; and that the Intrinsic value of it must fluctuate, as the Quantity of Specie which is the measure of it multiplies or decreases in the Kingdom where it is placed.³⁸

³³ Ibid., pp. 546–48; cf. [Smith], *General Remarks*, pp. 29–31. In addition, Marshall, *East Indian Fortunes*, pp. 224–26, relates that the French were reported to have raised 'twenty million francs from British sources'.

³⁴ 'Verelst to Court' (5 April 1769), in *FWIHC*, V, p. 551. In a similar vein, it was argued in Anon., *True Alarm*, pp. 80–81, that while Bengal had been part of the Mughal Empire, the tribute paid to the emperor had not harmed her as the circulation of money within the empire ensured that it was returned: 'the prodigious expense of a luxurious court did quickly dissipate the greater part of them (revenues); and the rich manufactures of Bengal, forming a considerable part of this luxury, did quickly recall from that court a sum exceeding the tribute paid by her'. The money that the Company extracted, on the other hand, did not return into circulation in Bengal. See also: Verelst, *View*, p. 81, for his calculations of the amount of money that had that been drained from Bengal.

³⁵ 'Letter to Court' (10 Dec 1767), in *FWIHC*, V p. 353 (see also: pp. 377, 395). The Directors dismissed the fears as 'speculative Terrors', as well as being convinced that the problems had been caused by the introduction of a gold currency, see: *FWIHC*, V, p. 144. See also: Om Prakash, 'English East India Company', pp. 10–11. The gold currency had been introduced by Clive; for his defence of this measure see: OIOC, MSS Eur. E12, pp. 124–26.

³⁶ 'Verelst to Court' (25 Sep 1768), in *FWIHC*, V, p. 468.

³⁷ Ibid., p. 469.

³⁸ 'Verelst to Court' (5 April 1769), *FWIHC*, V, p. 551.

Verelst's analysis drew upon a particular understanding regarding the basis of a country's wealth, and the means of accumulating it. He believed that Bengal's prosperity was the result of the fact that her balance of trade had always been favourable — that is, she had always gained from her commerce with other nations;³⁹ this balance had become negative under the East India Company's administration, as the imports of bullion into Bengal had ceased, while 'drains' on the currency had continued. This trend had reduced the amount of money in circulation in the country, which in turn had adversely affected the industry of the workers: 'a rapid diminution of the current coin must necessarily impede the internal commerce of the country, and discourage the exertions of industry in all'. It was this latter point, which was of crucial importance to Verelst's argument: Bengal's impoverishment was not due to the drain of currency in itself, but rather due to the impact this had on the industry of the people. The value of Bengal, for Britain, did not rest in mines of gold and silver — she did not possess any — but in 'the exertions of industry in all, whose labour alone could render Bengal a valuable possession to the British nation'.⁴⁰

The theory of the drain of wealth that Verelst advanced was one that was articulated by many observers of East Indian affairs of the time. In the *True Alarm* it was argued that 'Bengal hath, for above five years past, suffered, by the means of her present government an annual diminution of [...] one tenth part of her capital stock of wealth'. The author contended that some of these drains had been compensated by the 'hoarded wealth' that Bengal possessed, but this was finite and therefore could not be relied upon to maintain the level of the currency in the long run. He went on to argue that, eventually, the commerce, manufacturing and 'spirit of industry' would all be ruined so that even if the oppressors were to leave, there would be nothing left in Bengal to salvage.⁴¹ Such arguments were strongly refuted in *State of the East India Company's Affairs*, which stated that it was impossible for a country to be 'drained' of its currency: 'it is an undoubted Fact, that Money must and will flow into every Country where Arts and Industry prevail'.⁴² The precise parameters of this particular argument, as will become clear, were articulated by Hume,

³⁹ Cf. Chaudhuri, *Trading World*, p. 156.

⁴⁰ Verelst, *View*, p. 86. See also Pattullo, *Essay*, pp. 23–24, who also stated that the reduction in the circulating specie of Bengal had led to her decline.

⁴¹ Anon., *True Alarm*, pp. 75–77, 79, 83–84.

⁴² Anon., *State of the East India*, pp. 18–19.

and it was based on a different understanding of the mechanics of international trade. However, it was arguments similar to the 'drain of wealth' theory advanced by Verelst that commonly recurred in the publications relating to the Company in this period.

While the theoretical foundations of Verelst's argument could be contested, by 1772 the problem of a shortage of specie in Bengal became one that the directors felt they had to address. Steuart was brought to the attention of the Company by Lord Barrington (secretary at war from 1765 to 1778),⁴³ and it was through him that Steuart later came into contact with Philip Francis, one of the members of the Fort William Council in Calcutta created by the 1773 Regulating Act.⁴⁴ Steuart's plan was based on information that he gathered while he was in London between May and July 1772,⁴⁵ and his correspondence with the Company official, Mr. Wilks.⁴⁶ His plan was published in July 1772, entitled *Principles of Money Applied to the Present State of the Coin of Bengal*, and was sent by the Directors to the Council in Calcutta in March 1774.⁴⁷ Verelst raised doubts regarding the specific proposals that Steuart put forward for reforming the currency of Bengal;⁴⁸ the following section will consider the principles upon which Steuart based his reforms — recoverable from his main treatise on political economy — and place Steuart's thought in relation to rival theories of trade, which will shed light on the foundation of Verelst's own ideas. This chapter will then proceed to consider his specific plans for stemming Bengal's drain of currency.

⁴³ Dylan E. Jones, "Barrington, William Wildman, second Viscount Barrington (1717-1793)," in *ODNB*, <<http://0-www.oxforddnb.com.consull.ull.ac.uk:80/view/article/1535>> [accessed 19 July 2005].

⁴⁴ Francis worked under Barrington at the war office before he resigned in 1772.

⁴⁵ Sen, *Economics of Steuart*, p. 155.

⁴⁶ Steuart's correspondence can be found at OIOC H/62.

⁴⁷ 'Letter from Court' (30 March 1774), in *FWIHC*, VII, p. 69; in a letter from the servants in November 1775 it was reported that for various reasons no steps had yet been taken on the coinage problem, see: 'Letter to Court' (20 Nov 1775), *FWIHC*, VII, p. 374.

⁴⁸ See: Verelst, *View*, ch. 3. Steuart's plan also invited criticism from Francis, see his: 'Minute on the coinage problem', OIOC H/125, pp. 427–62, and 'Letter from Mr. Francis, one of the Supreme Council of Bengal', in *Works, Political, Metaphysical and Chronological of Steuart*, V. For Steuart's response to these criticisms see: Steuart, *Principles of Money*, appendix, and 'Sir James Steuart's Answer to Mr. Francis's Letter', in *Works, Political, Metaphysical and Chronological of Steuart*, V.

III. International Trade

The object of commerce for thinkers influenced by ideas associated with bullionism and mercantilism was to increase the power of the state by augmenting the wealth of the country. Theorists of these respective schools of thought believed that this could only be achieved by the government's regulation of international trade, such as by placing restrictions on the consumption of imports, rather than by allowing market forces to dictate their own terms. National benefit was measured in terms of the impact a particular policy had on the power of the state, instead of the difference it made to the welfare of the individual.⁴⁹ Such theorists also believed that the advantages of international trade were of a strictly limited nature, that is, each country was in competition with every other for the globe's static resources — commerce was a zero-sum activity.⁵⁰ Mercantilists and bullionists recognised that a country's wealth consisted of more than its stock of precious metals, thus acknowledging the importance of labour and natural resources to any calculation of a state's power,⁵¹ but nevertheless, they advocated the implementation of policies that would restrict the movement of gold and silver. Bullionists sought to prevent the exportation of a country's precious metals altogether; mercantilists, by contrast, did not prohibit their export, but were concerned with ensuring that a greater volume of gold and silver entered a country than departed from it.⁵²

The term 'mercantilism' has been commonly criticised for masking the diversity of ideas regarding political economy that were formulated from the seventeenth century onwards. Heckscher's treatment of the subject has received criticism for similar reasons, as well as for suggesting that mercantilist ideas and policies were not based on an accurate 'empirical

⁴⁹ Eli F. Heckscher, *Mercantilism*, rev. 2nd edn, ed. E. F. Soderlund, 2 vols (London: George Allen, 1955) II, pp. 15–16. The author however points out that free trade theorists did not reject the right of the government to regulate the market in order to protect national interests. Adam Smith's endorsement of the Navigation Acts is one well known instance. However as Miller points out, the circumstances under which free traders would allow this was very limited. Cf. Heckscher, *Mercantilism*, II, p. 359; Millar, *Defining*, p. 411.

⁵⁰ Heckscher, *Mercantilism*, II, pp. 23–27

⁵¹ Viner, *Studies in the Theory*, pp. 19–21.

⁵² Heckscher, *Mercantilism*, II, pp. 176, 296. For ideas of trade, as they related to India in the seventeenth century see: Barber, *British Economic Thought*, chs. 1–3; P. J. Thomas, *Mercantilism and the East India Trade: an Early Phase of the Protection v. Free Trade Controversy* (London: P. S. King, 1926).

knowledge of economic reality'.⁵³ Despite such criticisms, Heckscher's treatment provides a useful survey of the collection of ideas that were held regarding political economy throughout the seventeenth and eighteenth centuries. The influence of these ideas can be seen in the proposals that were put forward for the reform of the East India Company's commercial affairs in the period 1757–1773, but also throughout the Company's early history. The cluster of ideas that Heckscher identifies were also the concepts that Hume and Smith set out to challenge. It is for these reasons that Heckscher's treatment of mercantilism is utilised here. Heckscher points out that mercantilist theorists were preoccupied with increasing a country's stock of treasure which they believed embodied 'all economic resources'. Specifically, they held that money was the 'sinews of war' and consequently believed (as Defoe, for instance, expressed it) that the country with the 'the longest Purse, not the largest Sword, gets the Day in the End; and as nothing can furnish Money like Commerce, so the Trading Countries have manifestly the Advantage in a war'.⁵⁴ Commerce was beneficial for a country where it enjoyed a favourable balance of trade — that is, where a country exported more goods than she imported, and received payment in gold and silver to make up the difference.⁵⁵

The Mercantilists' desire to increase the nation's quantity of gold and silver — an increase in what they saw as the country's wealth — was motivated by the desire to augment the amount of currency in circulation, rather than in accumulating unproductive hoards of treasure. Heckscher points out that in a significant portion of mercantilist writing it was argued that the circulation of money in society kept industry and trade alive, while a shortage of money, by the same logic, brought trade to a halt.⁵⁶ The most well-known criticism of mercantilist principles was formulated by Adam Smith; he rejected the mercantile system because he believed that it was inimical to the true interests of the nation. In his view, the mercantile system was one where merchants and government had collaborated together to construct a system of trade that placed artificial impediments in the 'natural' path of commerce — impediments which enriched merchants rather than the nation. The mercantile system was based, according to Smith, on a

⁵³ Lars Magnusson, *Mercantilism: the Shaping of an Economic Language* (London: Routledge, 1994), pp. 8, 15–17, 32.

⁵⁴ Heckscher, *Mercantilism*, II, pp. 46–47 (cf. also pp. 209–10); [Defoe], *Advantages of Peace and Commerce*, p. 23.

⁵⁵ Heckscher, *Mercantilism*, II, p. 178

⁵⁶ *Ibid.*, p. 217.

mistaken notion regarding the benefits of international trade. A country undoubtedly needed to acquire gold and silver, reasoned Smith, but commerce did not need to be regulated in order to achieve this end, and neither was treasure the sole basis of a country's wealth.⁵⁷

In Smith's view, it was the interest of the consumer rather than the producer that was of paramount importance in political economy, but the consumer's interest was not promoted by the intervention of the government in the workings of the market. Rather, he believed that all individuals had to be left free to pursue their own desires (what he termed a 'system of natural liberty'), and the role of the government was confined to the spheres of defence, justice and particular public works.⁵⁸ The question of whether the prosperity of a country could be better promoted by some form and degree of government control of trade, or by its relative freedom, was then the defining difference between mercantilist and free trade theories. Yet even on this foundation, determining what label best describes Steuart's work is by no means straightforward; Smith famously chose to ignore Steuart's *Inquiry*, but whether Steuart can be designated a 'mercantilist' is a matter of controversy amongst contemporary scholars.⁵⁹ The influence of mercantilist thinking upon Steuart's (and Verelst's) analysis of Bengal's problems is abundantly clear: they both identified her problems as those of 'drains' on her currency, a negative balance of trade and a reduction in her circulating specie. However Steuart's thought was more complex than this list may suggest. In the discussion that follows, the points of agreement with and dissension from mercantilist thought will become apparent, but in any case, his *Inquiry*, as the next chapter will show, was written very much in the tradition of the Enlightenment.

⁵⁷ See for example: Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell and A. S. Skinner, 2 vols (Oxford: Clarendon Press, 1976; repr. Indianapolis: Liberty, 1981), IV.i.11, 17.

⁵⁸ Millar, *Defining*, pp. 410–12 (citation, Smith, *Wealth of Nations*, IV.ix.51).

⁵⁹ For examples of arguments that present Steuart as a mercantilist thinker, see: Magnusson, *Mercantilism*, p. 159; G. M. Anderson and R. D. Tollinson, 'Sir James Steuart as the apotheosis of mercantilism and his relation to Adam Smith', *Southern Economic Journal*, 51, (1984), 456–68. For refutations of such arguments see: Ramon Tortajada, 'Rate of Interest, Profit and Prices in the Economics of James Steuart', in *The Economics of James Steuart*, ed. Tortajada, (London: Routledge, 1999), p. 237; Hong-Seok Yang, *The Political Economy of Trade and Growth: an Analytical Interpretation of Sir James Steuart's Inquiry* (Aldershot: Edward Elgar, 1994), pp. 128, 146; M. A. Akhtar, 'An Analytical Outline of Sir James Steuart's Macroeconomic Model' *Oxford Economic Papers*, 31, 2 (1979), 283–302 (pp. 289–90); A. S. Skinner, 'Sir James Steuart: International Relations', in *David Hume (1711-1776) and James Steuart (1712-1780)*, ed. M. Blaug (Aldershot, England: Edward Elgar, 1991), pp. 159–60.

Theories of trade were of course concerned with the dynamics of exchange between different commercial countries. We have seen that mercantilists regarded commerce as a zero sum activity — trade could only benefit one country at the expense of another. This was a belief that was present in Steuart's treatise on political economy. As he argued: 'when one nation is growing richer, others must be growing poorer'.⁶⁰ Being rich, as Steuart pointed out, was not simply a superfluous advantage that a trading country enjoyed, but it was integral to her very independence. The prosperity of a trading country required that an advantage was maintained over her competitors in commerce. Steuart remarked: 'the whole system of modern politics is founded upon the basis of an active foreign trade' and 'a nation which remains passive in her commerce, is at the mercy of those who are active'.⁶¹

The observation that Steuart made regarding the connection between modern politics and commerce was one that Hume would have understood well; he had argued in his essay 'Of Civil Liberty' that, since the late seventeenth century, trade had become 'an affair of state'.⁶² Politics, as Istvan Hont points out, was originally concerned 'with the ordered and peaceful life of the *polis*, the *civitas*'; in the international arena, it came to be concerned with preserving the state's sovereignty,⁶³ by the late seventeenth century thinkers regarded commerce as a crucial object of state policy. The interest of a trading nation, in Steuart's scheme of things, was to make its commercial partners dependent upon the goods that it manufactured. Steuart contended that the original object of foreign trade had been to obtain goods that were not readily available at home. Therefore, a country without money (equivalent) sought to sell goods abroad in order to acquire specie, while a country with money desired to exchange it for foreign commodities. However, although trade may have received its initial impetus from the desire of meeting the country's needs, successful statesmen could use foreign trade as a means of obtaining superiority over their neighbours:

By diminishing, on the one hand, the quantity they [other nations] have of this general equivalent (wealth); and by increasing, on the other, the absolute quantity of it at home; in such a manner as not only to promote the circulation of that part which is necessary

⁶⁰ Steuart, *Inquiry*, p. 363 (see also p. 228). Cf. Smith, *Wealth of Nations*, IV.iii.c.9–11.

⁶¹ Steuart, *Inquiry*, p. 180.

⁶² Hume, 'Of Civil Liberty', pp. 88–89; Hont, 'Free Trade', pp. 41–120.

⁶³ *Ibid.*, p. 44.

to supply the wants of all citizens, but by a surplus of it, to render other nations dependent upon them, in most operations of their political oeconomy.⁶⁴

In other words, a successful trading country could convert commerce — a way of satisfying mutual wants by a system of exchange — into a tool of foreign policy, and render other countries subservient to herself due to their dependence on her for money.

Accordingly, a country that did not actively pursue its commercial advantage — one that was passive — exposed itself to exploitation by a state that did aggressively pursue its interests. A passive country would find her stock of precious metals decline as her inhabitants purchased goods from foreigners; only countries that enjoyed great 'natural advantages', or mines of gold and silver, could afford to remain passive in their foreign trade — they could afford a 'drain', that is a continual outflow, of precious metals.⁶⁵ In a similar manner, a nation that enjoyed a favourable balance of trade could export bullion without any danger of decreasing the amount of money in circulation at home; this was because 'a favourable balance cannot fail to bring it back again with an additional supply'.⁶⁶ By such statements Steuart revealed that he did not regard advantageous trade as simply consisting of obtaining gold and silver — his conception of a favourable balance was more complex than simply achieving an excess of exports over imports. He pointed out that a favourable balance could be achieved without the nation's stock of gold and silver being necessarily augmented. It could also be increased by acquiring additional subsistence, increased shipping and 'by the importation of many durable commodities, which may be considered also as articles of wealth; as a well furnished house, a well stored cellar, an ample wardrobe, and a fine stable of horses, are articles which enhance the value of the inheritance of a landed man'.⁶⁷

Any calculation of the balance of trade also had to consider the 'value of labour', which was the amount of work that went into the manufacture of a good. A country, Steuart explained, gained where it exported more labour than it imported, and lost where it sold abroad more 'matter' than it brought home. By 'matter', Steuart had in mind raw materials which required further

⁶⁴ Steuart, *Inquiry*, pp. 261–62. The bracket is Steuart's own (see also p. 367).

⁶⁵ *Ibid.*, pp. 162, 180.

⁶⁶ *Ibid.*, p. 582.

⁶⁷ *Ibid.*, p. 365 (see also p. 366).

production in order to be usable; their exportation represented a loss to the country as instead of being manufactured and providing work at home, they would augment the industry of another country.⁶⁸ For Steuart, maintaining the industry of a country's workers was central to the continued prosperity of a country — the benefit of a favourable balance (of an increase in the quantity of money in circulation) was the increased labour of a country's inhabitants.⁶⁹

Steuart went on to clarify that a favourable balance of trade (and therefore successful international commerce) ultimately rested upon the maintenance of a balance between work and demand — which could only be achieved by the active intervention of the statesman. The various connections that Steuart drew between work, trade and demand can only be properly appreciated with reference to the different stages of development that he identified in a country's material development. Steuart argued that in a society's earliest stages, its mode of subsistence had been improved by the reciprocal wants of the different members of the community (farmers and free hands). Specifically, the free hands' need for food, and the farmers' desire for manufactured goods impelled both of them to produce superfluous products — superfluous to their own needs — which they then exchanged with one another. What led the farmer and the free hand to produce goods in excess of their own wants was their anticipation that the goods could be used in payment for other goods — individuals did not labour, Steuart argued, except to fulfil their desires; where the superfluous goods of the farmers and freehands could not be exchanged, individuals would return to producing for themselves only, and the path of material progress would abruptly come to a halt.⁷⁰

A balance between work and demand was therefore crucial in maintaining the industry of the inhabitants. Steuart went further and identified 'reciprocal wants' as the cohesive force of society itself.⁷¹ Exchange between people was facilitated and infinitely expanded by the introduction of money, which also became an object of desire in itself: 'when money becomes the object of our

⁶⁸ Ibid., p. 291.

⁶⁹ Importantly, Steuart did not simply envisage greater money circulating domestically, on the contrary, he connected the domestic market to the global one, and saw wealth as briskly flowing throughout the world. It returned however to the successful trading nation, 'as blood returns to the heart, to be thrown out again only by new pulsations' (ibid., p. 181).

⁷⁰ Ibid., p. 39.

⁷¹ Ibid., pp. 39–40. Steuart believed that the tacit contract of society was broken where reciprocal obligations were missing, see: ibid., p. 88.

wants, mankind become industrious, in turning their labour towards every object which may engage the rich to part with it'.⁷² The circulation of money in society, in other words, encouraged the poor to work; consequently, where the rich were unwilling to part with their money, the poor would accordingly cease to work. Steuart argued that 'when money does not circulate, it is the same thing as if it did not exist'; it was the 'swift circulation' of money in society that was the cause of greater industry.⁷³ Industry and prosperity were maintained in a country as long as the balance between work and demand was preserved:

When we say that the balance between work and demand is to be sustained in equilibrio, as far as possible, we meant that the quantity supplied should be in proportion to the quantity *demanded*, that is, *wanted*. While the balance stands justly poised, prices are found in the adequate proportion of the real expence of making the goods, with a small additional profit to the manufacturer and merchant.⁷⁴

The work-demand balance was also crucial to Steuart's theory of successful international trade. A country, he contended, that managed to maintain a balance between work and demand, could supply goods more competitively than her rivals. This advantage could not be undermined unless the poise was disturbed. Steuart argued that while the trade of one country was growing, it was impossible for others to undermine it, as all the advantages of price and dexterity were on the side of the growing nation. However where, for example, supply was deliberately kept short of demand in order to profit from the resulting high prices, other nations would discover the deficit and work quickly to provide the shortfall — the misalliance between demand and work provided rival nations with a perfect foothold in a previously impenetrable market.⁷⁵

It was also in terms of this balance that Steuart accounted for the rise and fall of nations. He argued that it was 'for want of this just balance' — that is 'a perfect balance between the hands employed in work and the demand for their labour' — that 'no trading state has ever been of a long duration, after arriving at a certain height of prosperity'. Where the balance was maintained, the industrious could live off their earnings; this ceased to be true when oversupply

⁷² Ibid., p. 45.

⁷³ Ibid., p. 46. See also: Douglas Vickers, *Studies in the Theory of Money 1690–1776* (Philadelphia: Chilton, 1959), p. 247.

⁷⁴ Steuart, *Inquiry*, p. 189.

⁷⁵ Ibid., pp. 202–03.

led to a fall in prices or where high prices due to undersupply meant goods were not sold at all.⁷⁶ Foreign trade also became impossible where foreign countries could disrupt a country's work-demand balance and where luxury had taken root at home. By luxury, Steuart here specifically meant the consumption of manufactured goods at home that were originally intended for markets abroad. Where this occurred, Steuart believed that the country concerned should cease its international commerce, and concentrate instead on the home market. This was a stage that Steuart identified as that of inland commerce; it now became the task of the statesman to ensure that the desires of the rich were met by the industry of the poor, so that the wealth circulated within the country, between the affluent and the industrious.⁷⁷

Steuart's vision of successful international trade rested upon the constant vigilance of the statesman; his precise responsibility Steuart described by using an analogy of a fleet of ships, which represented the trading countries of Europe, sailing towards a port. The ship that was steered with the greatest skill by its captain would of course reach the destination first and work to maintain its advantage.⁷⁸ Yet, no matter how dexterous the statesman was, a country's dominance in foreign trade was not indefinitely sustainable, and it ultimately had to be abandoned in favour of inland commerce. The premise which underlined this reasoning — that international trade was a zero sum activity — had been rejected by Hume. In response to such arguments Hume had stated that nations should not regard one another as rivals in trade: the increase of 'riches and commerce' in one country was not achieved at the expense of another. Instead it worked towards promoting the prosperity of all; for instance, Hume argued, every advancement that had been made in agriculture and manufactures in Britain had been the result of 'imitation of foreigners'; furthermore, Hume reasoned, foreign trade could only take place between countries that were similarly advanced; to illustrate this point Hume pointed out that 'a single man can scarcely be industrious, where all his fellow citizens are idle. The riches of the several members of a community contribute to encrease my riches, whatever profession I may

⁷⁶ Ibid., pp. 194–95.

⁷⁷ Ibid., pp. 205, 243, 264.

⁷⁸ Ibid., p. 203.

follow. They consume the produce of my industry, and afford me the produce of theirs in return'.⁷⁹

While Steuart clearly recognised that trade rested upon the mutual wants of nations, Hume's point was that commerce between nations could be complementary and advantageous to all parties concerned, rather than only benefiting the dominant country. Hume's theory did endorse the idea that richer countries gradually lost their advantages of trade to poorer ones (who enjoyed the benefits of cheap labour and goods), and he also argued, prior to Steuart, that the industries of a rich country did not have to be abandoned when international trade was lost, but resources could instead be switched to cater for domestic demand.⁸⁰ However, Hume's thesis, as Hont has shown, did not simply mean to suggest that manufactures were lost by rich countries to poorer ones⁸¹ (or that the rich country should resort to 'inland' commerce), but more specifically, that the former could not compete with the latter in the same products. Hume envisaged a division of labour between the two, by which means foreign trade was not immediately lost to a richer country when she encountered higher costs than her poorer rivals: rich countries could specialise in skilled goods, while the poorer ones could enjoy advantages in unskilled production.⁸²

Underlying both Hume's and Steuart's respective theories were different assumptions regarding the impact the increase or decrease of the quantity of money in circulation had on industry and prices, as well as the way in which a country could retain sufficient quantities of specie in circulation. Hume believed that prices were influenced by the level of money and goods in the economy;⁸³ Steuart, on the other hand, thought that they were determined by the interaction of

⁷⁹ Hume, 'Of the Jealousy of Trade', in *Essays*, pp. 328–29.

⁸⁰ Hont, 'Rich Country', p. 273; Hume, 'Of Commerce', in *Essays*, p. 264.

⁸¹ 'Manufactures, [...] gradually shift their places, leaving those countries and provinces which they have already enriched, and flying to others, whither they are allured by the cheapness of provisions and labour till they have enriched these also, and are again banished by the same causes', Hume, 'Of Money', in *Essays*, pp. 283–84.

⁸² Hont, 'Rich Country', pp. 274–76. See also: J. M. Low, 'An Eighteenth Century Controversy in the Theory of Economic Progress', in *David Hume and James Steuart*, pp. 27–46.

⁸³ 'It seems a maxim almost self-evident, that the prices of every thing depends on the proportion between commodities and money, and that any considerable alteration on either has the same effect, with of heightening or lowering the price. Encrease the commodities, they become cheaper; encrease the money, they rise in their value', Hume, 'Of Money', p. 290.

demand and supply. Hume's rich country-poor country model⁸⁴ was based on the premise that as a country got richer and greater money entered into circulation, the general level of prices would rise; in other words, an increase in the quantity of circulating money led to an increase in the prices of goods and wages. It was this relationship, in Hume's theory, that prevented the concentration of riches in one country: the centre of manufacturing constantly moved away from high priced economies to lower priced ones; however, the poor countries were then 'enriched' (resulting in a rise in prices), which caused manufactures to fly 'to others' yet again.⁸⁵ This was Hume's automatic self-correcting mechanism of international trade put forward to refute the balance of trade theory. It was this mechanism that ensured that every country received 'the appropriate amount of money in proportion to its trade' — that ensured a country was not 'drained' of its currency.⁸⁶

Hume believed that the future of international trade rested upon a division of labour between countries with different levels of wealth; each country would acquire the money she required for her needs by the industry of her workers. In the context of Bengal's currency problems, Hume's reasoning would suggest that the country could not be 'drained' of her money as the specie adjustment mechanism would ensure that adequate money returned to her. Hume argued that the 'force of this principle' made it 'impossible for money to lose its level, and either to rise or sink beyond the proportion of the labour and commodities which are in each province'.⁸⁷ This was an argument that was fully comprehended by the author of *State of the East India Company* who argued that money would always flow to where arts and industry existed: 'it is impossible to prevent its (money's) coming there, as to prevent water from running downwards'.⁸⁸ Hume tried to prove his point by demonstrating that a change in the level of money circulating in a country did not in itself alter the wealth of the country.⁸⁹ He argued that the annihilation of 'four-fifths of all the money in GREAT BRITAIN' would not result in the destruction of British manufactures; instead it would result in a reduction in the prices of labour and goods — making her exports

⁸⁴ On the origin of this term see: Hont, 'Rich Country', p. 274n7.

⁸⁵ Hume, 'Of Money', p. 283.

⁸⁶ Hont, 'Rich Country', p. 282.

⁸⁷ Hume, 'Of the Balance of Trade', in *Essays*, p. 313.

⁸⁸ Anon., *State of the East India*, p. 19 (see also: pp. 18, 20).

⁸⁹ Hont, 'Rich-Country', p. 281.

cheaper than her rivals'. Money would then be drawn back to Britain until her advantages were cancelled and the level of money returned to its level.⁹⁰

Steuart, in common with others of Hume's contemporaries, misunderstood the point that Hume wanted to make in the example he had given, that is that the quantity of money remained in proportion to the labour and commodities of each country (whereas Steuart believed that an adequate level of money had to be maintained by a favourable balance).⁹¹ However the misunderstanding reveals Steuart's own assumptions — which were the premises from which he set out to reform Bengal's currency problems. Steuart argued that in the context of free trade, the consequences of Hume's scenario would be the annihilation of 'industry and the industrious'; he reasoned that low prices at home would mean that goods were exported abroad where they would fetch a higher price; this would lead to inevitable starvation at home, and consequently there would be no industry at home to attract money back.⁹² Money in Steuart's opinion was not automatically adjusted between nations: 'a nation though industrious and populous, may reduce itself to poverty in the midst of wealthy neighbours, as a private person, though rich, may reduce himself to want, in the midst of the amusements and luxury of London or Paris'.⁹³

In Steuart's scheme of things, prices would only increase, upon the inflow of additional money, if demand increased.⁹⁴ Where demand remained unaffected, Steuart held that the additional money did not come into circulation, but was 'locked up, or converted into plate'.⁹⁵ He believed that prices were maintained at a level consistent with the cost of production and a small profit, as long as the 'quantity supplied should be in proportion to the quantity demanded'.⁹⁶ Furthermore,

⁹⁰ Hume, 'Of the Balance of Trade', p. 311; Hont, 'Rich Country', pp. 282–83.

⁹¹ For example: Steuart, *Inquiry*, p. 283. See also: Hont, 'Rich Country', p. 296.

⁹² Steuart, *Inquiry*, pp. 358–59.

⁹³ *Ibid.*, p. 359; see also Pattullo, *Essay*, p. 23, who argued: 'the activity, the industry and, in a great measure, the ingenuity of every nation, is always in proportion to the mass of circulation in specie, and well established paper currency; if that is abundant, all is alive and in action; and in proportion that the mass is lessened, all becomes paralytic and languid'.

⁹⁴ Akhtar, 'Analytical Outline', p. 291. See also: Andrew Skinner, 'Money and Prices: a Critique of the Quantity Theory', *Scottish Journal of Political Economy*, 14 (1967), 275–90.

⁹⁵ Steuart, *Inquiry*, pp. 343–44 (Steuart cited an exception to this rule on p. 346, but said that it was too particular to be general). See also *ibid.*, p. 444, where he argues that in contemporary times, money is no longer locked up.

⁹⁶ Steuart, *Inquiry*, p. 189 (later on in his treatise, Steuart argued that 'when trade and alienation increase, *caeteris paribus*, so will money; that is more solid property will be melted down; and

Steuart's belief that the statesman had to maintain the balance between work and demand was consistent with the overriding aim of political economy that Steuart had stated at the start of his *Inquiry*, which was to maintain the employment of the workers and ensure their subsistence;⁹⁷ the policies that Steuart advocated in the domain of international trade were calculated to this end. It followed therefore that trade with other countries had to cease when it undermined home industries: there did not exist any specie adjustment mechanism that would prevent the loss of money from a wealthy country — the rich nation could not compete with the low cost advantages of poorer countries. Steuart argued that if a prosperous country found itself faced with high prices, then 'humanity' and 'prudence' required that foreign trade was cut off, and that the inhabitants accepted the higher prices: 'in humanity, because by the introduction of foreign manufactures, you starve those very people, who by their labour have enriched you: in prudence, because by opening your ports to such importation you deliberately throw away that superiority of riches you have been at so much pains to acquire'.⁹⁸

IV. Monetary Reform

The basis of Bengal's ancient wealth was identified by Verelst and Steuart as consisting of her manufactures; these had been demanded and purchased by foreign merchants with gold and silver rather than merchandise, because the inhabitants of Bengal had displayed little desire for foreign goods. Steuart stated that recent events in Bengal had led to the disruption of the 'trade and industry of the inhabitants, which for many ages had been the means of heaping them [treasures] up'.⁹⁹ Bengal had therefore enjoyed a favourable balance of trade: her exports had exceeded imports — she had exported more work than she had imported.¹⁰⁰ Under Company rule however, the balance of trade turned against Bengal, and she was faced with several 'drains' on her currency. While Steuart clearly recognised that the wealth of a country did not consist of

when trade and alienation diminish, *caeteris paribus*, so will money; that is, some of the solid property formerly melted down, will consolidate', *ibid.*, p. 498).

⁹⁷ 'The Principle object of this science is to secure a certain fund of subsistence for all the inhabitants, to obviate every circumstance which may render it precarious; to provide everything necessary for supplying the wants of society, and to employ the inhabitants (supposing them to be free-men) in such a manner as naturally to create reciprocal relations and dependencies between them', *ibid.*, p. 17.

⁹⁸ *Ibid.*, p. 363.

⁹⁹ Steuart, *Principles of Money*, p. 61.

¹⁰⁰ Steuart, *Inquiry*, p. 291.

her stock of treasure alone, he nevertheless stated that wealth was the 'circulating adequate equivalent'.¹⁰¹ A favourable balance may rest upon exporting more work than was imported, but the industry of the worker was dependent upon him receiving an 'adequate equivalent', that is money, for his service. This could not happen where there existed drains on the currency, and the quantity of money in circulation was consequently reduced. Steuart's reforms concentrated upon providing Bengal with a way of compensating her for her drains¹⁰² and increasing the quantity and velocity of circulating money.

Steuart began his report by stating the principles of money and coin that he had established in his *Inquiry*.¹⁰³ He believed that these basic principles had been ignored in Bengal, which had resulted in the present disorders of the currency. The major problem that the Company faced was establishing the value of the coins that were in circulation. Newly minted coins in Bengal were known as *siccas*; after a year in circulation, due to erosion, they lost their value and were known as *sunats*. The value of the coin was determined by the content of its silver, and by an arbitrary *batta* added to it by the *shroffs*,¹⁰⁴ as their payment for minting the coins. This had led to a situation, where there was a discrepancy between the actual value of coins, and the value they were made to circulate at. This violated one of Steuart's basic principles of money and coin; he argued that it was 'absurd...to call by the term pound what does not contain one ounce. From this abuse has been introduced the confusion which prevails everywhere in questions concerning money. From being the plainest of all regulations, money is become an almost inextricable science'.¹⁰⁵

The situation in Bengal had reached such a pass, argued Steuart, that 'no person can tell the value of the coin he is possessed of until a *shroff* be consulted upon the matter'.¹⁰⁶ The confusion of coins had placed the *shroffs* in a powerful position: they were indispensable for establishing the

¹⁰¹ Ibid., p. 310.

¹⁰² 'Were trade to run constantly against a country, the consequence would be, that the whole property of it would, by degrees, be transferred to foreigners', *ibid.*, p. 500.

¹⁰³ These principles are set out in Book III 'Of Money and Coin', see esp. chs 1-6.

¹⁰⁴ 'The shroffs are a sort of bankers, or money-changers, whose business it is to set a value upon [...] different currencies, according to every circumstance, either in their favour, or their prejudice', Steuart, *Principles of Money*, p. 18.

¹⁰⁵ Ibid., p. 4.

¹⁰⁶ Ibid., p. 26.

value of coins, but, as there were no checks upon their actions, they could easily debase coins and defraud their customers; this was what Steuart termed abuse of shroffage.¹⁰⁷ This confusing state of Bengal's coins was agreed to be a great source of fraud by the directors in London: 'the coinage of Bengal is a visible source of fraud and imposition...absurd distinction between *siccas* and *sunnaut* rupees must...have contributed to destroy the vigour and activity of trade'.¹⁰⁸

Steuart's solution for this was to establish a standard unit of account.¹⁰⁹ He pointed out that gold and silver fluctuated in their value and consequently using them as a measure by which to value the coins presented many problems. Nations that had an 'ideal money of account' did not face this problem.¹¹⁰ Establishing the value of the current rupee in Bengal, which he believed to be the money of account, would provide a fixed standard by which to value all coins in circulation.¹¹¹

In Bengal, the unit of money of account is the current rupee. To suffer this standard denomination to be valued by the accidental currency of any coin, is contrary to every principle. The current rupee, and not the sicca, or any coin whatever must be the standard by which every coin or currency is to be valued, and no precaution ought to be omitted, to fix and ascertain its own value.¹¹²

Steuart argued that it would also give security to all transactions. Without an 'invariable value', he stated, there could be no 'security...for debtors and creditors' and dependence on the *shroffs* would continue. However, with the establishment of a current rupee, which had a fixed weight and fineness, all other coins could be valued in relation to it,¹¹³ and the role of the *shroff* in ascertaining the value of coins would become obsolete.¹¹⁴

After addressing the problem of coinage in Bengal, Steuart turned his attention to the several drains that Bengal faced. He pointed out that Bengal's difficulties were peculiar to it due to its status as a British acquisition. Steuart argued that 'it is a general maxim, that exportations enrich

¹⁰⁷ Ibid., p. 18. For more information on Bengal's monetary problems and Steuart's plan of reform, see: Sen, *Economics of Steuart*, ch. x; Walter Eltis, 'Steuart on Monetary Reform and Economic Development: His Advice for the Restoration of the Indian Economy', in *Economics of James Steuart*, pp. 201-217. Cf. also Khan, *Transition in Bengal*, pp. 175, 176;

¹⁰⁸ (10 April 1771), in *FWIHC*, VI, p. 89.

¹⁰⁹ Cf. Steuart, *Inquiry*, pp. 408-09.

¹¹⁰ Ibid., pp. 420-21.

¹¹¹ Steuart, *Principles of Money*, p. 19.

¹¹² Ibid., p. 12.

¹¹³ Ibid., pp. 50-52. Cf. Eltis, 'Steuart on Monetary Reform', pp. 212-15.

¹¹⁴ See: Khan, *Transition in Bengal*, p. 177, for M. Reza Khan's defence of the *shroff* system.

a country, and that importations impoverish it'.¹¹⁵ This however was not true for Bengal: money was being withdrawn from circulation in the acquired territories, and being used, for example, to finance Britain's global tea trade. This, and the other 'drains' that Verelst and Steuart had enumerated, were not compensated for by foreign imports of bullion: Bengal's exports were paid for by her revenue. This was why Steuart stated that 'the exportations made from Bengal by the East India Company do not enrich it, any more than the importation of the spoils of the world impoverished ancient Rome'.¹¹⁶ That is, the exports of Bengal did not bring additional wealth into circulation that was needed to maintain industry, and conversely imports into Rome did not adversely affect the industry of its slave workers.

In Steuart's opinion, Bengal's problems called for a reorientation of the way that the Company viewed its acquired territories. He argued that it was 'vain to think of a remedy' for Bengal's problems 'without sacrificing the interest of Great Britain, and of the Company itself to that of Bengal'.¹¹⁷ As a trading enterprise, it had been the Company's 'interest, and that of the mother-country, to export thither every article of British luxury, as well as manufactures', but as *de facto* sovereign, it was not.¹¹⁸ As the ruler, it was no longer in the Company's interest to export items to Bengal which would adversely affect the industry of the people, but it was in its interest to promote her export trade. It was in its interest, in other words, to ensure that Bengal enjoyed a favourable balance of trade — the Company had to stop thinking of Bengal as a competitor to Britain's trade. Steuart had argued that when a trading country engaged in trade with a non-trading country, it had to inspire the non-trading country with a demand for its goods; this could be achieved by giving presents to its leaders; once a taste or demand for the trading country's goods was established, then the non-trading country was 'in the fetters of the traders'— that is, the non-trading country had become dependent on the trading one.¹¹⁹

¹¹⁵ Steuart, *Principles of Money*, p. 89.

¹¹⁶ *Ibid.*, p. 90.

¹¹⁷ *Ibid.*, p. 69.

¹¹⁸ *Ibid.* See also: [Smith], *Observations*, pp. 33–34; Bolts, *Considerations*, pp. vi–vii, x, 192; Dow, *History*, p. 110.

¹¹⁹ Steuart, *Inquiry*, pp. 162–63.

This same sound policy had become misguided once Bengal became 'our own'. 'European luxuries' were an 'article of drain to her treasure' and had to be discontinued.¹²⁰ The policy that the Company had to follow instead was to 'procure for them [Bengal] articles of raw productions from every part of the world. We ought to encourage every branch of trade between them and the Indian nations; and we ought to protect the industrious inhabitants from the rapine and extortions of their Indian as well as of their European lords'.¹²¹ This plan therefore had three important components; first of all, the workers of the country were to be protected from inequitable acts. Secondly, the industrious were to be provided with work by the importation of raw materials that were to be finished in Bengal; these imports would not count as a balance against Bengal's trade as long as they were re-exported.¹²² Thirdly, a favourable balance of trade was to be established with other Indian nations, which would ensure that Bengal was compensated for the losses she incurred with the trade with the East India Company — as Steuart expressed it: 'The foreign trade of Bengal is what alone can increase her wealth, or at least, keep the cistern full in spite of its many leaks'.¹²³ Steuart suggested that preventing Bengal from suffering an unfavourable balance of trade on all accounts was not possible, especially given that the Company would continue to use the province's revenues to finance its trade, however, the consequences of it could be mitigated by enabling Bengal to trade with other eastern countries.¹²⁴

However, Steuart recommended that the drain caused by the export of bullion from Bengal to finance the China tea trade had to be stopped altogether. He insisted that the investment for this trade had to be found in Europe. In order to aid the expansion of the Company's tea trade, Steuart proposed that the duties on tea should be reduced so that 'the Company' could 'undersell their rivals in every market'.¹²⁵ Currently, he stated, the quantity of foreign tea smuggled into Britain, Ireland and America was estimated at 'four million pounds of weight', which was an 'article of balance of trade against' Britain. By cutting the duties on tea, the British government

¹²⁰ Steuart, *Principles of Money*, p. 70.

¹²¹ *Ibid.*

¹²² Steuart, *Inquiry*, p. 360; see also [Smith], *Observations*, pp. 6–7.

¹²³ Steuart, *Principles of Money*, p. 89.

¹²⁴ See: Steuart, *Inquiry*, pp. 292–93, where he argued that a nation could not expect a favourable balance in all areas of her trade.

¹²⁵ Steuart, *Principles of Money*, p. 71. On the way the China trade was financed by private country traders, see: Furber, *John Company*, pp. 164–66.

would undoubtedly lose revenue, but the policy would 'indemnify Great Britain for the exportation of their coin, carried off by the smugglers'. In other words, by making the Company's tea more competitive with the smuggled commodity, the illicit trade would become less profitable and decline.

Further, Steuart contended that the benefit of the duties was not comparable to the advantage that Britain would gain if she enjoyed a monopoly of this trade together with the Dutch. He did not believe that the English Company should try to undermine the Dutch trade, which was in any case, he stated, restricted from growth by the way it was financed by the sale of spices; but he did believe that the demand for tea in European and American markets was greater than the Dutch were able to fulfil, and therefore, the East India Company should concentrate on filling this gap. Steuart reasoned that the Company could buy tea cheaper than her European rivals, and if she used the proceeds from the sale of tea in Europe to finance the trade, it would stop the drain of Bengal's currency while, at the same time, also undermining her rivals' trade 'and at no greater expence to Great Britain than what she pays at present to smugglers, who enrich the foreign companies'.¹²⁶

The policy that the British government did actually follow as the Company's financial difficulties unfolded included the reduction of some duties, but tea and other goods re-exported to the colonies were subject to increases in taxes. It is doubtful that Steuart would have supported this mixed measure, which led some Company officials to complain that the government was giving with 'one hand while taking away with the other'.¹²⁷ Steuart believed that his proposal was one that would benefit Bengal, Britain and the Company, and at the same time also address Bengal's currency problems.

Another drain that Steuart had identified and that he turned his attention to stem was that of the transmission of the private fortunes of the Company servants back to Britain; currently, the servants' lent their money to foreign companies in exchange for bills repayable in Europe. Steuart argued that the servants could not be prevented from doing this — as long as they had

¹²⁶ Steuart, *Principles of Money*, pp. 71–73.

¹²⁷ Bowen, *Revenue*, p. 109.

fortunes to transmit — by force; however what the Company could do was to provide their servants with an attractive alternative. The Company, suggested Steuart, should offer to borrow the servants' money at attractive rates for investment in Bengal: 'I imagine it must ever be the interest of the Company to facilitate the investment of property belonging to their servants, in a way so beneficial to the servants, as to cut off their desire of lending money to those who are the Company's rivals in trade'.¹²⁸

The private fortunes of the servants, argued Steuart, could also be utilised to provide much needed credit in Bengal by forming the foundation of a paper currency. Credit was a way that the Company could overcome the shortage of coin and increase the circulation of money: 'by accelerating the circulation of the coin you...*virtually* increase the quantity of it; that is to say, a less quantity will be necessary for performing the same purposes'.¹²⁹ Steuart had defined circulation in his main treatise as: 'the successive transition of money or transferable commodities, from hand to hand, and their return, as it were in a circle to the point from which they set out.' The quantity of coin in circulation he argued had to be kept in proportion to the 'produce of industry'; where this proportion was not maintained, for instance when there was a shortage, 'industry will never be able to exert itself; because the equivalent in the hands of the consumers, is then below the proportion of their desires to consume, and of those of the industrious to produce'.¹³⁰ To illustrate his point he described a society where there was only one coin in circulation, consumption would halt the minute the coin came into the possession of a miser (unless, he conceded, the people resorted to bartering).¹³¹ Steuart saw the lack of credit as the greatest obstacle to industry in society's early stages and therefore considered it necessary for

¹²⁸ Steuart, *Principles of Money*, pp. 74–75.

¹²⁹ *Ibid.*, p. 78.

¹³⁰ Steuart, *Inquiry*, pp. 323–24 (see also pp. 325–26). [Smith] *Observations*, p. 28, argues that the Company's trade expanded with the acquisition of *diwani*, but the drain of money continued, the result of this could only have been stagnation: 'The great increase of trade that naturally followed the great increase of our riches and power, required a quick circulation, and a large increase of money, to answer the additional demands, which will always rise, in proportion as trade and manufactures are extended. The want of specie will produce a stagnation of trade, especially in a country where no faith rests on paper credit. Drains and oppressions like these no country can bear'; this was perfectly in tune with Steuart's point. Cf. also Pattullo, *Essay*, p. 23.

¹³¹ Steuart, *Inquiry*, p. 323.

a statesman that wanted to 'increase industry and domestic consumption', to provide a 'circulating fund of one kind or other'.¹³²

Steuart did not believe that paper money could be established on the '*authority, and upon the credit of the Company*'. This was because, as a sovereign power, there was no security against the Company abusing the currency in times of necessity.¹³³ Steuart had stressed the importance of maintaining confidence in his main treatise for the security of credit — credit he said was 'no more than a *well established* confidence between men'¹³⁴ — and he believed that it was the task of the statesman to regulate it and keep it 'within bounds'. Steuart's analysis of the collapse of the paper currency established by John Law provides an example of 'an abuse of confidence', and the reason why the issuing of paper currency on the authority of the ruler was improper. Steuart believed that Law had based his paper currency on sound principles: the value of the notes was fixed according to the weight and fineness of the coins on the date the notes were issued. These principles had been overturned by the French monarch who issued the notes without a fixed value rendering credit precarious because the monarch could reduce the value of the notes at will. This fact had contributed to the collapse of confidence and of the bank itself.¹³⁵ Steuart proceeded to describe the way that a banking fund could be established in Bengal on the private fortunes of the servants, 'in the hands and under the protection of the Company, who are to have no share of the profit, and the greatest interest in preventing the issue of paper upon precarious security'.¹³⁶ In Bengal, it was the Company's task to ensure that confidence was not abused, and by precluding them as an authority that could issue paper money, they were denied any practical ability of being able to do so.¹³⁷

Steuart saw many benefits arising from the bank. He hoped that the bank would lead the money possessed by Bengal to flow 'into a channel which may set new engines to work in order to augment her circulation and encourage her manufactures; instead of serving as a bare equivalent

¹³² Ibid., pp. 327–328. Cf. Anon., *Plan for the Government of the Provinces*, pp. 32–33.

¹³³ Steuart, *Principles of Money*, p. 81.

¹³⁴ Steuart, *Inquiry*, p. 440.

¹³⁵ Ibid., pp. 438–39, 534–37 (see also 557–63). For a description of Law's system, see: Sonenscher, 'Nation's Debt', pp. 71–73

¹³⁶ Steuart, *Principles of Money*, p. 87. Cf. also Marshall *East Indian Fortunes*, pp. 40–41, who describes the Bengal system of mercantile credit which pre-existed Company rule.

¹³⁷ Steuart, *Principles of Money*, p. 81; Steuart, *Inquiry*, pp. 438–39.

for those at present produced'.¹³⁸ Steuart envisaged paper money and banks as a policy that would lead to the development of Bengal; this was consistent with the ideas of Law that Hume had rejected despite seeing the benefits that could accrue to a poor country.¹³⁹ The result of this expansion, according to Steuart, would be to encourage the inflow of European silver as long as the Company (after they had made their investments and collected their revenue) allowed foreign merchants to trade: 'let these [foreign merchants] be considered *as the sellers of silver*, not as the purchasers of goods'. He argued that the Company had to be satisfied with the 'highest profits compatible with the prosperity of the country which enriches them' rather than the maximum amount that could be extorted. He stressed that since Bengal belonged to the Company and it was suffering from drains of money: 'it will appear expedient to encourage as much as possible the sale of all that is over the investments of the Company, in such a way as to increase the demand of strangers, which cannot be so well accomplished as by leaving a reasonable profit both to manufactures and to foreign merchants'.¹⁴⁰

Steuart was suggesting that a reduction in the profit of the Company was needed so that it could be enjoyed by the manufacturers and foreign companies. As Steuart had explained in his main treatise, industry needed the 'allurement of gain' in order to flourish.¹⁴¹ Similarly foreign merchants needed encouragement to buy the remaining manufactures from the Company's investments. This reduction in profits may have been hard for the Company to swallow, but he had stated from the outset that 'it is vain to think of a remedy without sacrificing the interest of

¹³⁸ Steuart, *Principles of Money*, p. 88. See also Barber, *British Economic Thought*, p. 81; Anon., *Plan for the Government of the Provinces*, pp. 32–33, also argued that the establishment of a paper money issuing bank would be beneficial for Bengal as it would lead to increased industry. See also, Pattullo, *Essay*, p. 22.

¹³⁹ Hont, 'Rich Country', pp. 276–79.

¹⁴⁰ Steuart, *Principles of Money*, pp. 89–91. The way that the Company traded with Indian merchants changed after 1760. The servants made use of their political power to procure goods to their advantage and prevented other European companies from trading with 'their' workers. Prakash, who focuses on the textile trade, argued that Company obtained cloth well below the market rate. See: Prakash, 'Trade and Politics in Eighteenth-Century Bengal' in *The Eighteenth Century in India*, ed. Seema Alavi (Oxford: Oxford University Press, 2002), pp. 150–52.

¹⁴¹ Steuart, *Inquiry* p. 90. Steuart, *Principles of Money*, p. 92, argued: 'all proper encouragement must be given to manufacturers [...]. Insure to the manufacturer the prices and profits which the Company suppose to be consistent with the interest of their own trade, and sufficient to produce a living profit to their industrious subjects, which from abuses they are sometimes deprived of'. Cf. Richard Becher's (resident at Murshidabad) minute of 23 Nov 1770, where he argued that an 'increase of revenue to the Company should [...] arise chiefly from increased cultivation and manufactures'; this he believed constituted the 'real' interest of the Company. He also added that the merchants and tenants have 'an equitable claim to a proportion of the good things of their country as well as the English East India Company', quoted in Khan, *Transition in Bengal*, p. 261.

Great Britain, and the Company itself to that of Bengal'.¹⁴² This was one clear example of the way that the immediate interest of the Company was sacrificed; however Steuart showed that in the long run it was beneficial for the Company. He argued that if Bengal had not been in need of 'foreign resources' then he would not have restricted the trade of the Company's servants.¹⁴³ However, as we have seen, in Steuart's scheme of things, it was only countries that had great 'natural advantages', such as mines of gold and silver, which could afford to remain passive in their foreign trade.¹⁴⁴

The way the revenues were collected by the Company was also scrutinised by Steuart; it was another area that he believed was in need of reform by which the circulation of the money in Bengal could be improved. Taxation, in Steuart's opinion, was a useful tool of government policy as its correct application could promote industry by bringing money into circulation which may otherwise have been hoarded.¹⁴⁵ Bengal's revenues were principally derived from levies on land; Steuart did not pretend to understand how the system of land ownership operated in Bengal.¹⁴⁶ He believed that that land was rented out by the sovereign to high ranking officials and subjects, who sub-rented it to others, who in turn farmed it out to others again — at the end of the chain was the labourer. Steuart argued that this system operated at a loss to the Company and provided scope for oppression: 'the money paid by the labourers of the ground, is at present interrupted in its course, at every change of hands, until by the repeated shroffage, it comes at last reduced, as I may say, to a shadow, into the Company's treasure'.¹⁴⁷ This organisation had to be reformed; he proposed that the land had to be valued, the rent payable by each district established and the intermediary collectors abolished. The rent was to be paid by the occupiers of the land to 'some man of consequence, who may be considered the superior lord of it'. In this way the Company would receive the rents more directly and money would be in circulation

¹⁴² Steuart, *Principles of Money*, p. 69.

¹⁴³ *Ibid.*, p. 91.

¹⁴⁴ Steuart, *Inquiry*, p. 180.

¹⁴⁵ *Ibid.*, pp. 724–25.

¹⁴⁶ See Marshall, *East Indian Fortunes* pp. 30–31, for a description of the wide ranging role of the *zamindars* (landholders).

¹⁴⁷ Steuart, *Principles of Money*, p. 79. The point that the revenue which finally reached the Company was a shadow of the original amount collected was also made by [Smith], *Observations*, p. 19, who argued the revenue 'must always fall short to the Company, so long as the occupiers are thus drained by a tribe of Duans and officers of the revenue'. He blamed the fall in the quantity of revenue collected on M. R. Khan, which was an opinion shared by the directors in London, see: Khan, *Transition in Bengal*, p. 189. See also the evidence in *RCHC*, IV, pp. 114, 301.

quicker. The Company, he stated, had to avail themselves 'of the principles of the feudal system of government, in the execution of their plan'.¹⁴⁸

Amongst Steuart's analyses of the Company's problems, there was one fundamental issue that he did not address; this was the question of whether the Company was a suitable agency by which to govern Bengal and to implement reforms. Adam Smith's condemnation of organisations like the East India Company is well known, but Steuart's view of them was significantly different. Barber has argued that Steuart's terms of reference precluded him from pronouncing a judgement on the East India Company in his *Principles*.¹⁴⁹ While this may be true, Steuart did not face the same constraints when composing his *Inquiry*; here he set out at length his views on such companies and argued that their advantages were also their disadvantages. A joint-stock company, he contended, enabled merchants to pool their resources together to undertake costly enterprises and, by working together, 'competition between them *abroad* is taken away'.¹⁵⁰ Yet, the former also meant that 'private adventurers' were discouraged, while the latter enabled the company to sell their goods at home at inflated prices. It was the statesman's task to ensure that the benefits of large companies were not cancelled by disadvantages by establishing proper regulations.¹⁵¹ Consequently, with the existence of appropriate safeguards, he did not regard the 'exclusive privileges' companies enjoyed as generally detrimental to trade and 'contrary to that principle of impartiality that should animate a good statesman'.¹⁵²

In order to explain the principles on which he thought a trading company could be established, Steuart described certain stages in a company's development and pointed out the policy a

¹⁴⁸ Steuart, *Principles of Money*, p. 80. See also [Smith], *Observations*, p. 76; [Smith], *Measures to be Pursued*, p. 20. In addition, Francis, after 1773, continued to argue that the amount of tribute demanded from the Indians should be fixed in order to consolidate British rule of Bengal. He contended (in a letter to North) that the 'natives' would willingly submit to the 'barbarous' rule of the 'Mahometans, Tartars or Marathas' because these rulers would not subject them to 'a continued series of vexations' that was practised by the British. The Indians, under the barbarians, 'would [...] be only subject to a single Tribute, easily paid and easily collected; and find greater happiness in obeying a barbarous nation, than a corrupted Government, under which they suffer all the inconveniences of a Liberty which they do not enjoy, with all the horrors of positive slavery' ('Francis to North' (23 March 1775), OIOC, MSS Eur. E15, pp. 73–74). On the practical difficulty of establishing the value of the land in Bengal, see: Travers, 'Real Value of the Lands'.

¹⁴⁹ Barber, *British Economic Thought*, p. 76

¹⁵⁰ Steuart, *Inquiry*, p. 389.

¹⁵¹ *Ibid.*, pp. 389–90.

¹⁵² *Ibid.*, p. 391.

statesman should adopt in each particular instance. Steuart argued that no protests were raised against companies when they were first formed because of the 'considerable losses' that initially accompanied their trade. Furthermore, the number of members of the organisation was small and their affairs conducted secretly; at this early stage, Steuart stated, the statesman had to establish his authority over the organisation. He had to ensure that the individuals running the company were capable, and that their proposed plans were sound. He suggested that underwriting the losses of the company would ensure that he had access to its accounts, which in turn would provide him with an accurate understanding of its trade. Companies, he argued, only demanded 'exclusive privileges' and hid their profits because of the high cost of their enterprise. If the state assisted them from their very inception, this problem would not arise: 'adventurers' he stated would cheerfully submit to the inspection of the state, if they were 'certain of the public assistance in every reasonable undertaking'. The state's assistance and inspection would also provide security for any credit that the Company was in need of, and as the trade grew, money from new investors could be accepted instead of 'permitting the original proprietors to augment their stock with borrowed money'. By this method, Steuart suggested that the trade conducted under the company would be 'honourable and secure', rather than 'fraudulent and precarious'.¹⁵³

Steuart's analysis preceded the financial crisis of the East India Company in 1772, but from the foregoing discussion it is clear that he would have welcomed tighter control of the Company by the British state. Companies, in his view, were useful organisations as long as they remained under the overall control of the statesmen who would ensure that their policies were consistent with the common good.¹⁵⁴ It is unclear, however, whether Steuart would have preferred the responsibility of government to have been taken over by the British government. Given the importance of the statesman to his theories, it is likely that he would have endorsed such a move. Other would-be reformers did not display the same tact; the *True Alarm* argued that the separation of government from the Company would rapidly lead to the improvement of Bengal's

¹⁵³ Ibid., pp. 391–92.

¹⁵⁴ See: Robert Campbell, 'Sir James Steuart: a Study in the Development of Economic Thought' (Ph.D. thesis, University of California, 1947), p. 29.

trade: 'the native, who being emancipated from their present commercial slavery would quickly restore manufacture and trade to its pristine vigour'.¹⁵⁵

Conclusion

Steuart, in his proposal, presented the principles that he believed should underpin Britain's commercial policy towards a dependent dominion. He accepted that Britain and the Company would still seek to derive material benefit from Bengal but argued that they both should realise that their interest lay in the continued prosperity of Bengal. What this meant in practical terms was that Bengal had to be compensated for the money that was exported from her by the establishment of a paper currency (which would increase circulation), and by expanding her opportunities for trade with other Europeans and Asian countries. What he was suggesting was that Bengal's interest was not inimical to Britain's; their relationship was no longer that of two trading nations where one would inevitably gain at the expense of the other. Rather, Bengal was now 'in a manner our own'¹⁵⁶ — her prosperity could only increase Britain's.

Verelst also recognised that the Company could not continue to extract a tribute from Bengal if her industry did not continue to flourish. However he believed that all that was required was for the Company to moderate their demands: 'if the court of Directors will, for the future, be contented with an annual investment, not exceeding five or six hundred thousand pounds, and discontinue entirely the exportation of silver from Bengal, the foreign trade of that country may again revive'.¹⁵⁷ He rejected Steuart's proposals for creating a paper currency, arguing instead

¹⁵⁵ Anon., *True Alarm*, pp. 101–02. Similarly, in 1777, Francis also argued that 'as long as the interests of the Company and those of Bengal are committed to the same hands', the acquisitions could not be governed well. He went on to state that 'if the territorial acquisitions are to be preserved, it must be under a system of Government, which does not refer all its measures to the supposed Rights or Interests of a Body of Merchants, under colour of which their servants in reality take little care of any interest but their own. The measure pursued here, under pretence of securing everything to the Company, will [...] be found not less ruinous to their true commercial interests than to the country itself. They feel this truth already in the debasement of the manufacturers and in the enormous increase of the price. But every consideration of Justice and Prudence is absorbed in the vain idea of unlimited revenue and immediate returns' ('Francis to North' (14 Feb 1777), OIOC, MSS Eur. E15, pp. 522–23). See also 'Francis to North' (23 April 1778), OIOC, MSS Eur. E16, p. 170.

¹⁵⁶ Steuart, *Principles of Money*, p. 70.

¹⁵⁷ Verelst, *View*, p. 103.

that a gold currency could be used to fill any current shortages of specie.¹⁵⁸ Warren Hastings' appointment as governor in 1772 led to the implementation of many reforms; specifically, with regard to the drain of currency, Hastings halted the payment of tribute to the Mughal emperor, established the 1773 *sicca* rupee as the standard coin and formed a money lending bank.¹⁵⁹

These reforms were independent of Steuart's report, but his work offers an example of the way in which rival idioms of Enlightenment argument affected the diverse responses observable among British commentators to the problems raised by the acquisitions in India. Individuals such as Steuart, Verelst, Johnstone and Nathaniel Smith, sought to create conditions in Bengal under which commerce could flourish. Such conditions necessarily required a system of government that was free from the taint of despotism. This was precisely the end that the science of politics aimed at achieving to the extent that it was concerned with preventing the exercise of arbitrary power. British commentators made use of the schemes of interpretation provided by theories of Enlightened politics to approach the task of reforming the Company's government of Bengal. Yet, as the science of politics had not given rise to a single theory of Enlightened politics, there could not be any one answer for how to govern Bengal.

¹⁵⁸ Ibid.

¹⁵⁹ Jones, *Warren Hastings*, pp. 233–34.

Chapter 6

Sir James Steuart (II): Conjectural History, Self-Interest and Reform

It is the argument of this dissertation that the Company's search for the optimum protection for its trade led it to acquire territorial control, and that the importance of commerce for Britain's security led to the acceptance of a landed empire.¹ Territorial empire, in turn, however, gave rise to a whole host of additional problems. The publicists and thinkers that have been considered in this thesis turned their attention to addressing these new challenges, but fundamentally their object remained that of maintaining a prosperous commercial relationship with the sub-continent. Their aim, in other words — in stemming the drain of currency, in establishing the value of the lands, in creating a government and judicial system based on fixed laws and in bringing to an end mercantile despotism — stemmed not from any charitable concern for the welfare of the Indians (though this was expressed) but from the desire of ensuring that Bengal's industries continued to flourish. George Johnstone argued that unless encouragement was given to Bengal's farmers and manufacturers, it was impossible to expect the levels of profit that had been projected on the acquisition of *diwani*.² The rationale of Britain's global presence, as chapter one set out, was commercial; if Bengal's manufacturing, trade, and revenue receipts decayed away, then the point of territorial control would be defeated: Bengal, if it was not wrested from Britain by France, would be destroyed by Britain's own hand.

Steuart made the point in his *Principles of Money* that trade with Bengal had to be conducted in a manner that was consistent with the interest of the 'Company and for this nation (Bengal),

¹ For instance, it was argued in Anon., *Importance of the British Dominion*, p. 14: 'the commerce with India is not, like that with America, an absolute consequence of dominion, yet dominion is now become necessary to the existence of this Indian commerce, that Britain, if she was to be despoiled of her dominion there, would along with it be deprived of all benefit arising from that commerce'; see also: *ibid.*, pp. 15–17; Anon., *Conduct of the East India Company*, p. 53.

² [Johnstone], *Thoughts*, p. 42. [Nathaniel Smith], *Measures*, p. 12, further argued that 'the full security of property, a free and open trade granted to all the natives, that all the taxes and restraints deemed necessary, be laid with as equal and light a hand as possible, are the most essential regulations wanted. The inhabitants of Bengal, being sensible of the effect such regulations would produce, and persuaded of their stability, a great increase of wealth and population would soon follow'. See also: Pattullo, *Essay*, p. 1; Anon., *State of the East India*, p. 19; Anon., *Plan for the Government of the Provinces*, pp. 38–39.

consistently with the permanency of it'.³ Chapter five explored the principles and proposals on which Steuart believed that this could be achieved. However, any plan of reform would ultimately be to no purpose if it could not be implemented, for reasons that included local resistance. Steuart stated that in Bengal: 'absolute power, supported by justice and common sense, will get the better of obstacles, which in other countries would be unsurmountable'.⁴ What he was implicitly suggesting was that the Indians' lack of political liberty meant that reforms could be imposed without their consent; that is, the ruler did not need to persuade the inhabitants of the suitability of any measure before he implemented it. Steuart described, in his main treatise, how people in Europe revolted against the imposition of taxes where the ruler failed to prepare his people sufficiently⁵ — this, Steuart implied, would not be a danger in Bengal. However, despite this comment, Steuart did not envisage 'authority' as the method by which to execute his plan. Rather, at many points in his *Principles of Money*, Steuart argued that the passion of self-interest would ensure cooperation between Company servants and Indians.⁶ This chapter draws out Steuart's understanding of self-interest and the dynamics of human progress, and demonstrates their relevance to the reform of Bengal. Firstly, attention will be given to the reasoning behind conjectural history as it was developed by Enlightenment thinkers in Scotland, before considering the role that the concept of self-interest played in Steuart's trajectory of human development. This chapter will then secondly, relate Steuart's understanding of self-interest to the wider contemporary debate — specifically the thought of Mandeville — and finally proceed to consider how the object of man's interest was determined, according to Steuart, by the spirit of the people.

The concept of self-interest was integral to many of the pamphleteers considered in chapters three and four. Consequently, this chapter also serves to provide the wider intellectual context to their arguments. Archibald Keir, for example, stated that an inquiry into the 'temper and disposition of the human mind' would reveal 'that mankind in general, pretty much follow [...] their own interest'.⁷ George Johnstone argued, quoting Adam Ferguson, 'men are tempted to

³ Steuart, *Principles of Money*, p. 69.

⁴ *Ibid.*, p. 79.

⁵ Steuart, *Inquiry*, pp. 26–27.

⁶ Steuart, *Principles of Money*, p. 89.

⁷ Keir, *Thoughts*, p. 11.

labour, and to practice lucrative arts, by motives of interest. Secure to the workman the fruit of his labour, give him the prospects of independence, of freedom, the public has found an industrious servant in the acquisition of wealth, and a faithful steward in securing what he has gained'.⁸ Nathaniel Smith also contended that if the landowners could be confident that, after the payment of taxes, they would be protected from any further arbitrary demands, they would willingly pay the sum levied by government: 'mankind are seldom wanting in a knowledge of their real interest; and whenever it is blended with our own, we may be satisfied our own will never be neglected'.⁹

In addition, systems of government, which were considered in chapter four, also relied upon the assumption that individuals universally followed their self-interest. The author of the *Plan for the Government of Bengal* argued that the political art consisted of 'contrasting the selfish passions and interests of different men, in such a manner, that without a grain of public spirit, they may conspire in promoting the good of the community'.¹⁰ While the *Present State* recognised the passion of self-interest as the most effective check on the power of the sovereign: 'self-interest that *primum* and *perpetuum mobile* of human action [...], operates [...] more forcibly, [...] on the will of the supreme government; not simply restraining it from doing or permitting injury but impelling it to promote the good of the people governed'.¹¹ All these publicists made use of the ideas and arguments which were systematically formulated by individuals such as Mandeville, Smith and Ferguson, for their own purposes, but this inevitably resulted in a simplification and distortion of the original arguments. It will be argued in this chapter that a careful consideration of Steuart's scheme of conjectural history holds out additional possibilities of reform and 'improvement' in Bengal. Fundamentally, conjectural history suggested that by changing the circumstances under which people lived, it was possible to wholly change their manners and morals.

I. Conjectural History

⁸ [Johnstone], *Thoughts*, p. 22.

⁹ [Smith], *Observations*, p. 36.

¹⁰ Anon., *Plan for the Government of Bengal*, pp. 5–6.

¹¹ Anon., *Present State*, pp. 22–23.

The debates that took place in Britain regarding the government of the acquisitions in India were influenced by the developments in the fields of philosophical and conjectural history associated with Enlightenment thinkers in Scotland. The method that writers of such history set out to use was articulated by David Hume. He argued that in the same manner as the 'experimental method of reasoning' had revealed laws regulating man's natural environment, so the same method in 'moral subjects' would have similar effects.¹² Hume believed that it was from 'experience and observation' that we could connect cause and effect to a set of circumstances and thereby come to expect certain outcomes from particular actions.¹³ This was the experimental method Hume wanted to apply to the study of moral subjects. He believed that human nature consisted of 'regular springs', that is passions, which could be uncovered from the historical record:

Its [i.e. history's] chief use is only to discover the constant and universal principles of human nature by showing men in all varieties of circumstances and situations and furnishing us with materials from which we may form our observations and become acquainted with the regular springs of human action and behaviour.¹⁴

Hume believed that it was these regular springs of human behaviour that made it possible to predict how individuals would act in a given situation — to provide a 'causal explanation' for social and political change in human history.¹⁵ Most theorists did not agree with the limits to which Hume took his reasoning,¹⁶ but a broad similarity of aim and method was one thing that they shared.

¹² Hume, *A Treatise of Human Nature* (1739/40), ed. L. Selby-Bigge (Oxford: Clarendon Press, 1888), pp. xx–xxi; Berry, *Social Theory*, pp. 58–59.

¹³ Hume, *Treatise of Human Nature*, quoted in: Berry, *Social Theory*, pp. 59–60.

¹⁴ Hume, *An Enquiry Concerning Human Understanding* (1748), eds. Selby-Bigge and P. Nidditch (Oxford: Clarendon Press, 1975), p. 83, quoted in: Berry, *Social Theory*, p. 69. Cf. William Robertson, *The History of America*, 6th edn, 3 vols (London, 1792), II, p. 50, where he argued 'In order to complete the history of the human mind, and attain to a perfect knowledge of its nature and operations, we must contemplate man in all those various situations wherein he has been placed. We must follow him in his progress through the different stages of society, as he gradually advances from the infant state of civil life to its maturity and decline'; he believed that such a history had been facilitated by the discovery of the 'New World', where man could be observed in his earliest stage; such information, Robertson argued, had not been available to ancient philosophers and historians. See: Robertson, *History of America*, II, pp. 50–51, I, pp. 31–34.

¹⁵ Berry, *Social Theory*, p. 59. See also Pocock, *Barbarism*, II, pp. 183–84.

¹⁶ For example, in Robertson's thought, the progress of human society was also explained with reference to God and human intervention (Thomas Ahnert, 'Religion and the Moderates' Enlightenment: the Historiography of William Robertson' (Unpublished Manuscript)). See, for instance: Robertson, *History of America*, I, pp. 55–56, II, pp. 31–32; Karen O'Brien, *Narratives of Enlightenment: Cosmopolitan History from Voltaire to Gibbon* (Cambridge: Cambridge University Press, 1997), pp. 123, 148. In addition, Hume's work was also regarded with suspicion because he was suspected of being a heretic. This was, of course, in stark contrast to Robertson, who was

Adam Smith, in turn, regarded the end of history as being to instruct the reader; history, he stated, 'sets before us the more interesting and important events of human life, points out the causes by which those events were brought about and by this means points out to us by what manner and method we may produce similar good effects or avoid similar bad ones'.¹⁷ Smith himself developed a natural history of man, which Dugald Stewart termed conjectural history. Pocock, in his study of Enlightenment thinkers in Scotland, argues that individuals such as Smith developed 'a science of morality, which on the assumption that humans were intrinsically social beings became a science of society in all its ramifications'. The endeavour took the 'form of jurisprudence, which was then organised into history and next [...] into political economy'. Smith, as well as John Millar, suggested ways that 'the human mind might have organised itself into justice and civility, given certain [...] assumptions about the material and animal environment'.¹⁸ That is, their formulations were a matter of conjecture, but they were based on the knowable, constant, outcomes of predictably variable circumstances.

C. J. Berry has also argued that the term 'conjectural' is misleading to the extent that the theorists intended their histories to be based upon reliable sources and make use of scientific methodology — conjectural history was the attempt to provide a scientific explanation for the diversity of human behaviour whilst assuming the uniformity and constancy of human nature. The sources of conjectural history, that is the universal history of man, were the contemporary world and the ancient world as described by classical historians such as Tacitus.¹⁹ The explorations of the globe, in recent times, had in the words of Edmund Burke laid open 'the great Map of Mankind [...] there is no state or gradation of barbarism, and no mode of refinement

himself a minister, see: Sher, *Church and University*, pp. 65–67. See also: Pocock, *Barbarism*, II, pp. 266–67.

¹⁷ Adam Smith, *Lectures on Rhetoric and Belles Lettres* (Oxford: Clarendon Press, 1983; repr. Indianapolis: Liberty, 1985), p. 90; Berry, *Social Theory*, p. 55.

¹⁸ Pocock, *Barbarism*, II, pp. 313–15. See also; A. S. Skinner, 'Economics and History — the Scottish Enlightenment', *Scottish Journal of Political Economy*, 12 (1966), 1–22.

¹⁹ Berry, *Social Theory*, pp. 61–62. Robertson argued that 'If we push our inquiries concerning any point beyond the era where written history commences, we enter upon the region of conjecture, of fable and of uncertainty. Upon that ground I will neither venture myself, nor endeavour to conduct my readers' (*An Historical Disquisition Concerning the Knowledge the Ancients had of India and the Progress of Trade with that Country prior to the Discovery of the Passage to it by the Cape of Good Hope*, in *The Works of William Robertson*, vol. X (London, 1794; repr. London: Routledge/Thoemmes Press, 1996), p. 2).

which we have not at the same moment under our view'.²⁰ Burke's point was that historians and thinkers in his time had access to an array of new information by which to write the history of man. The histories were 'conjectural' to the extent that the theorists attempted to fill gaps in the available historical records by their own reasoning. However their conjectures were based on fixed 'principles of human nature and external circumstances'; what may have occurred on a particular occasion could be established from what 'is generally known to be the case'.²¹ In other words, humans, in a given context, would act in predictable ways.²²

Historians disagreed on the causes which they believed accounted for the variation in human behaviour and the organisation of societies. On the one hand, some conjectural historians attempted to explain extreme differences between various societies on the globe by a theory of polygenesis — that is, that the human race was descended from many different progenitors.²³ On the other hand, individuals such as Robertson believed that the human race sprang from one common originator.²⁴ But in either case, neither side denied the common humanity of the Indians and Europeans — at least not in the same manner in which some of them had doubted the natural equality of the American Indians.²⁵ Yet, if human nature was uniform in the Eurasian context, how had men in Europe and Asia come to live so differently? Montesquieu, who exerted a significant influence over thinkers in Scotland, accounted for the variation in human temperament climatically;²⁶ this argument was not wholly discounted by thinkers in Scotland,²⁷ but primacy was given to other factors. Hume stressed the importance of moral causes, such as

²⁰ *The Correspondence of Edmund Burke*, 10 vols, ed. T. W. Copeland et. al. (Cambridge: Cambridge University Press, 1958-78), III, p. 351.

²¹ Berry, *Social Theory*, p. 66.

²² For example, Robertson argued: 'If we suppose two tribes, though placed in the most remote regions of the globe, to live in the climate nearly of the same temperature, to be in the same state of society, and to resemble each other in the degree of their improvement, they must feel the same wants and exert the same endeavours to supply them. [...] The same ideas and sentiments will arise in their minds. The character and occupations of the hunter in America must be little different from those of an Asiatic [...]. Instead then of presuming from this similarity, that there is any affinity between them, we should only conclude, that the disposition and manners of men are formed by their situation, and arise from the state of society in which they live' (*History of America*, II, p. 30).

²³ Such a view was advanced by Henry Homes, Lord Kames in his *Sketches of the History of Man*, 2 vols (Edinburgh, 1774), I, p. 38 (Silvia Sebastiani, "'Race" and "Progress" in the Scottish Enlightenment' (Unpublished Manuscript)).

²⁴ Robertson, *History of America*, II, p. 26. See also: Robertson, *Historical Disquisition*, pp. 2-3.

²⁵ For example, Hume, 'Of National Characters', in *Essays*, p. 208n, famously argued that: 'I am apt to suspect the negroes to be naturally inferior to the whites'.

²⁶ Montesquieu, *Spirit*, pp. 231-34.

²⁷ For example see: Robertson, *History of America*, II, pp. 141-42.

the form of government — and the tendency of humans to imitate one another (which he believed accounted for the similitude of manners amongst the people of a particular nation) — in determining the ways in which men acted.²⁸ In turn, Smith accounted for changes in the political and social organisation of a society by pointing to the modes of subsistence — according to which he identified four distinct stages of human development.²⁹ The work of such thinkers was principally engaged in systematically discovering and explaining the causes of human diversity, but in the process also revealed the conditions under which (they believed) humans excelled or were debased. Such an insight was particularly relevant to the reform of Bengal, as the recreation of conditions which inhibited industry and commerce destroyed the rationale of territorial control.

By the time that the controversy regarding the reform of the East India Company took place, between the years 1769 to 1773, individuals such as Hume, Ferguson, Millar, Smith and Steuart had put forward their separate trajectories of human development organised around different variables. Publicists of East India affairs traded on such conceptions of human progress, but in the process distorted the general idea of 'stages' of society into a specific doctrine of Asian backwardness — of Asian inability to enjoy political liberty. A range of pamphleteers claimed that that the Indians' political and social development had left them in a condition where they could only be governed by absolute power. One example of the way in which the Enlightenment desire to provide a scientific account for human diversity was crudely utilised can be found in a *Letter to Lord North*; its author argued:

Where-ever the human footstep is found, civil societies are established; and in every such society natural freedom is restrained either by a voluntary surrender, or by the exercise of force or cunning, qualities natural to some, as imbecility, and pusillanimity, producing subjection, are to others:

In those it is natural to rise, in these to sink. All effects are from the operation of natural causes [...]. Tawny complexions are as natural to Asia, as fair are in Europe. They are not to be altered; because the cause is permanent, and whatever proceeds from that influencing principle, whether in bodily form or the affections of the mind, is equally

²⁸ Hume, 'Of National Characters', pp. 198, 203. See also: Tatsuya Sakamoto, 'Hume's Political Economy as a System of Manners', in *The Rise of Political Economy in the Scottish Enlightenment*, ed. Sakamoto and Hideo Tanaka (London: Routledge, 2003), pp. 90–91.

²⁹ Smith, *Lectures on Jurisprudence*, ed. R. L. Meek, D. D. Raphael and P. G. Stein (Oxford: Clarendon Press, 1978; repr. Indianapolis: Liberty, 1982), pp. 14–16. On Smith's ideas regarding human motivation and the progress of human society, see also: Knud Haakonssen, *The Science of a Legislator: the Natural Jurisprudence of David Hume and Adam Smith* (Cambridge: Cambridge University Press, 1981), chs 7–8 (see esp. pp. 183–89).

unalterable. If the climate which tinges the Asiatick skin unnerves the hand and heart, you may wash the Asiaticks white as easily as make them free.³⁰

The author of this argument was clearly influenced by a climatic theory of human nature — such theories formed only a minor component of Enlightenment accounts of the natural history of man, and, importantly, were not accorded any determining role.³¹ However, the significant way in which this particular publicist distorted the general claim of conjectural history — that changing the causes, altered the effects — was in his contention that the condition of the Indians could not be transformed.³² He did not then proceed to develop his formulations any more systematically. By contrast, the premises upon which Steuart based his *Principles of Money*, are ascertainable from his main treatise, and their consideration provides a more comprehensive understanding of Steuart's plans for (as well as the relevance of conjectural history to) the reform of the government of Bengal.

Steuart began his main treatise with the warning that principles of political economy had usually been formed on the basis of a narrow set of circumstances. Thinkers, he argued, reasoned 'consequentially on every subject', but failed to consider the 'variety of circumstances which render uncertain every consequence, almost, which he can draw from his reasoning'. To illustrate his point, he pointed to the contemporary debate regarding luxury, which he believed was the result of theorists presenting particular instances as general rules. He contended, that if the protagonists on each side of the controversy attended to each other's understanding of luxury 'with all its consequences, they would have rendered their propositions less general'. His point was that the consequence of luxury depended upon the particular circumstances of each individual country — under certain conditions luxury was beneficial, but under others it could be detrimental.³³ In addition, Steuart also condemned the acceptance of ideas on the strength of one's respect for an individual, what he called ideas 'received upon trust': 'in political questions', he stated, 'it is better for people to judge from experience and reason, than from authority; to explain their terms, than to dispute about words; and to extend the combinations of their own

³⁰ A. B., *Letter to the Right Honourable Lord North*, pp. 33–34.

³¹ See: Robertson, *History of America*, II, pp. 66–68 (cf. p. 95).

³² Montesquieu too suggested that the influence of the climate could, to some extent, be countered, see: *Spirit*, p. 236.

³³ Steuart, *Inquiry*, pp. 7–9.

ideas, than to follow conceits'.³⁴ Steuart hoped to avoid the same errors himself, especially that of deducing general principles from narrow circumstances, by not being circumscribed by the context of any one particular country. 'True principles', he stated, could only be discovered by becoming 'a citizen of the world', that is by comparing and examining different 'customs' and 'institutions', and by probing into the causes of the differences between them.³⁵

Steuart went on to state that 'by tracing out a succession of principles, consistent with the nature of man and with one another, I shall endeavour to furnish some materials towards the forming of a good' system of political economy.³⁶ However, Steuart fully realised that the diversity of human political and social organisation could leave any general rule of political economy inapplicable in specific circumstances, which was why he argued: 'every supposition must be considered as strictly relative to the circumstances presupposed'.³⁷ In Steuart's thought, the system of political economy varied according to the material progress of a particular country in question, and principles of political economy could only be implemented in any given situation after the people of that country had been prepared for them:

If one considers the variety which is found in different countries, in the distribution of property, subordination of classes, genius of people, proceeding from the variety of forms of government, laws, climate, and manners, one may conclude, that the political oeconomy in each must necessarily be different, and that principles, however universally true, may become quite ineffectual in practise, without a sufficient preparation of the spirit of a people.³⁸

Steuart did not fully draw out the implications of this argument for the reform of Bengal in his *Principles of Money*, but it is reasonable to suppose that Steuart believed (given that it is an understanding that pervades his main treatise) that a plan for the government of the acquisitions in India could only be created and implemented with a precise understanding of Asian society. Steuart stated that his research on the drains of Bengal currency was an invitation to further research,³⁹ which suggested that a more comprehensive scheme of reform could only emerge with greater understanding of Bengal's specific political and social organisation.

³⁴ Ibid., pp. 9–10.

³⁵ Ibid., p. 17.

³⁶ Ibid., p. 19.

³⁷ Ibid.

³⁸ Ibid., p. 17.

³⁹ Steuart, *Principles of Money*, p. 67.

Despite Steuart's reticence in relating the premises of his *Inquiry* to the problem of governing Bengal, the point that the principles of political economy varied predictably according to circumstance was implicitly one that the Company had to take into account (in Steuart's view) when initiating any policy of reform. Steuart argued that any principle of political economy that was 'natural' for a people of a particular 'spirit', became unnatural when that spirit was lacking.⁴⁰ It was the statesman's task to ensure that the spirit which prevailed in a country was brought into line with the particular plan of political economy that the ruler wished to implement. How this could be achieved was by the manipulation of men's passions. Steuart argued that men universally acted from the same fundamental principles: 'Man we find acting uniformly in all ages, in all countries, and in all climates, from the principles of self-interest, expediency, duty or passion. In this he is alike, in nothing else'.⁴¹ The object of man's passion was determined by circumstances in which he existed, but it was the fact that human behaviour and circumstance were predictably variable that allowed the statesman to guide a country through a particular process of material development, and that ultimately allowed Steuart to frame his principles of political economy.

Steuart began his history of human development — reasoning from 'consequence to consequence' — with 'society in the cradle'.⁴² He did not develop the idea of man in a state of nature, a solitary savage, but proceeded from the premise that men were sociable creatures: 'As this noble animal is a sociable creature, both from necessity and inclination, we find also, in all ages, climates and countries, a certain modification of government and subordination established among them'.⁴³ Steuart traced the origin of government and society to the natural dependence of children upon their parents, and the reliance of servants on their masters for subsistence. The legitimacy of rulers was to be found, consequently, in history rather than in an original compact: 'the rights of kings [...], are to be sought for in history; and not founded upon the supposition of tacit contracts between them and their people, inferred from the principles of an imaginary law

⁴⁰ Steuart, *Inquiry*, p. 28.

⁴¹ *Ibid.*, p. 20.

⁴² *Ibid.*, pp. 28–29.

⁴³ *Ibid.*, p. 20. The idea of a savage state was also rejected, for instance, by Ferguson who regarded the idea of a 'natural state', as formulated by Hobbes and Rousseau, as empirically untrue, see: Berry, *Social Theory*, pp. 23–24.

of nature, *which makes all mankind equal*.⁴⁴ In rejecting the contractarian theory of the origins of governments, Steuart was in agreement with the formulations of Hume who had also founded obedience to government in opinion confirmed by habit.⁴⁵

The point at which Steuart began his conjectural history saw the people living under a free government, on the spontaneous fruits of the earth, enjoying fertile lands, and a simplicity of manners. This stage of society enjoyed a state of equilibrium: the number of inhabitants was in proportion to the food that existed, and their simple manners meant that they did not demand anything beyond what was necessary for their subsistence. The initial impetus for change, according to Steuart, came in the form of the agency of the ruler; he played a crucial role in altering the mode of subsistence of his people, which in turn, ultimately, revolutionised social and political arrangements. The statesman worked to inspire 'a taste for agriculture and for labour' amongst his people — 'who formerly consumed the spontaneous fruits of the earth in ease and idleness'.⁴⁶ This was achieved, in the context of a free government, not by coercion, but by making use of an enduring feature of human nature: self-interest.

It was by using the passion of self-interest that the statesman could fulfil the aims of political economy — which were to satisfy the wants of society by creating 'reciprocal relations and dependencies' between people of a country, and make 'their several interests lead them to supply one another with their reciprocal wants'.⁴⁷ Importantly, it was in the same manner — that is, by the correct manipulation of the Company's servants and Indians' self-interest — that Steuart envisaged reforming Bengal's monetary problems: 'by directing the interest of individuals to a proper object, good government is established'.⁴⁸ The same point was also made by another observer of East Indian affairs in his plan for the political reform of Bengal: government, he argued, was 'the art of contrasting the selfish passions and interests of different men' so that they

⁴⁴ Steuart, *Inquiry*, pp. 35, 209.

⁴⁵ Hume, 'Origin of Government', p. 39. See also: Campbell, 'James Steuart', pp. 30–36.

⁴⁶ Steuart, *Inquiry*, pp. 38–39. By a free people, Steuart meant a people that were 'governed by general laws, well known, not depending upon the ambulatory will of any man, or any set of men, and established so as not to be changed, but in a regular and uniform way', *ibid.*, p. 206.

⁴⁷ *Ibid.*, p. 17.

⁴⁸ Steuart, *Principles of Money*, p. 89.

were unconsciously led to promote the common good.⁴⁹ In Steuart's scheme of conjectural history, the transition from a stage where people lived upon the naturally occurring fruits of the country to a stage where they worked the land to produce their food, the stage of agriculture, was achieved by imbuing the people with new wants, and by creating reciprocal relationships between them.

Significantly, Steuart's stadial history did not include a pastoral stage; he presented instead a three-stage history of human development, which contrasted with the four-stage theory implicit in Smith's work, wherein the ownership of flocks marked an important point in the development of private property and was therefore crucial to Smith's theory of jurisprudence.⁵⁰ Importantly, however, the relationship that Steuart drew between wants and industry implicitly relied upon the security of private property — as people would not work to acquire goods if they did not have confidence that their possessions would not be arbitrarily confiscated by those in power. Such insecurity was what publicists such as Nathaniel Smith identified as a significant cause of Bengal's decline; he argued that under despotic governments (such as existed in Bengal under Company rule) people were led to 'hide or dissipate their money', because of fear. By contrast, where the fruits of their labour were guaranteed to the inhabitants by law, industry would flourish. In such a context, reasonable fiscal demands made on individuals would be willingly complied with because people were sure that the remainder of their wealth would not be seized.⁵¹

The establishment of agriculture, in Steuart's trajectory, required that the simple manners enjoyed by people in the early stage of society were sacrificed; that is, the people had to be encouraged to demand more goods than was necessary for their subsistence. Steuart described the way that farmers were led to produce food, surplus to their own needs by the statesman, by presenting them with goods manufactured by other inhabitants of the country (free hands) who were in need of provisions. People worked to make goods that they did not require themselves in order to exchange them for items that they were in need of; farmers and free hands, in other words, were industrious in order to satisfy their mutual and reciprocal wants:

⁴⁹ Anon., *Plan for the Government of Bengal*, p. 5.

⁵⁰ Smith, *Lectures on Jurisprudence*, p. 107.

⁵¹ [Smith], *Observations*, pp. 34–36.

We may lay it down as a principle, that a farmer will not labour to produce a superfluity of grain relatively to his own consumption, unless he finds some want which may be supplied by means of that superfluity; neither will other industrious persons work to supply the wants of the farmer for any other reason than to procure subsistence, which they cannot otherwise so easily obtain. These are the reciprocal wants which the statesman must create, in order to bind the society together.⁵²

Industry and agriculture were the direct result of the reciprocal relations that were forged by the intervention of the statesman; accordingly, all work would cease if the new relations between the inhabitants failed. Steuart argued that where farmers could not exchange their surplus produce for other goods of their choice, then land would once again be 'uncultivated'. Industry could also not be established where people continued to have limited wants despite the efforts of the statesman: 'if mankind be not forced to labour, they will labour for themselves only; and if they have few wants, there will be little labour'.⁵³ This hints at the way that the physical or the material environment in which people lived affected the object of their passion; in a country where the people were 'lazy', because of the climate, or were not amenable to luxury (that is, persisted in maintaining their simple manners), due to the form of government, the statesman would not be able to persuade his people to labour. This is because the people did not recognise their interest in the same end as the statesman, and the advancement of society would consequently come to a halt.⁵⁴

The statesman's most fundamental task therefore, when he was presented with a community that he wished to materially advance, was to create in men wants and make the fulfilment of those wants dependent on the cooperation of others. To illustrate the way that such reciprocal relationships enabled progress, Steuart gave the example of ancient times; here princes desired large armies but were faced with the problem of how to maintain them — farmers were not confronted with any incentive to produce surplus food in order to sustain the prince's troops. As a remedy to this situation, Steuart argued, slavery was introduced: slaves were created and forced to labour in order to provide for the wants of those who were engaged in other occupations (in this example, soldiers): 'when states come to be formed, and have occasion for idle hands to defend them against the violence of their enemies, food at any rate must be procured for those

⁵² Steuart, *Inquiry*, p. 40.

⁵³ *Ibid.*, p. 49.

⁵⁴ *Ibid.*, p. 41.

who do not labour [...]. For this purpose slavery was calculated'.⁵⁵ However, the slave's labour was inferior to that of free men, as the latter were motivated by their wants and would seek to improve themselves in expectation of greater rewards. The slave, on the other hand, was dependent upon the instructions of his master, and therefore possessed no incentive to increase his productivity: 'set a man to labour at so much a day, he will go on at a regular rate, and never seek to improve his method: let him be hired by the piece, he will find a thousand expedients to extend his industry. This is exactly the difference between the slave and the free man'.⁵⁶

Hence, forced labour might mean that an economy functioned, but only freemen, motivated by their wants or self-interest, would guarantee that it functioned at its optimum level. Steuart implied that if a ruler managed his people correctly — pointed their self-interest in the direction that he wanted — the people could be made to execute the ruler's plans with very little guidance from the government; in India, Steuart argued, reforms would come to be implemented as the people realised the benefits it would bring them. Specifically, Steuart contended that paper credit was a potential 'progressive improvement' which would 'execute itself, as soon as the utility of it is perceived'.⁵⁷ Pattullo, who made similar recommendations as Steuart for the correction of Bengal's currency problems, also pointed out the difference between slave and free labour, and applied it to the context of Bengal; he argued that inhabitants of a country where private property was not guaranteed were no better than slaves — that is they were 'timid and passive' because they possessed no reason to work. Such a condition, Pattullo argued, was the state that some of France's peasants lived under, and was analogous to the condition of the Indians under Company rule. "Why should we labour?", Pattullo conjectured that the French peasants reasoned, "when we are certain that our tax-masters wou'd always load us equal to our industry, and that we and our families must in all events for ever remain in poverty and indigence?" Pattullo went on to state that 'subjects of that kind, however numerous, can never be of value to any state: whereas the power to acquire and to enjoy, rouses the mind to action;

⁵⁵ Ibid., pp. 49–50.

⁵⁶ Ibid., p. 169 (see also p. 377).

⁵⁷ Steuart, *Principles of Money*, p. 81.

encourages industry and populations, and forms valuable subjects to a state and nation'.⁵⁸ Both Pattullo and Steuart suggested that by changing the conditions under which the Indians lived (which, in the process, would also transform their self-interest), it was possible to reverse the decline of Bengal.

The connection between wants, industry and reciprocal relations, in Steuart's treatise, which underpinned the transition to the stage of agriculture, was also the key to the further advancement of society to the stage of commerce. Since Steuart's thoughts on commerce were the subject of the previous chapter, the object here is to consider the foundations on which his theory was established. Steuart argued that industry reached a natural barrier to further improvement once a free man's wants were satisfied: 'when the free hands have procured by their labour, wherewithal to supply their wants, their ambition is satisfied; so soon as the husbandmen have produced the necessary surplus for relieving theirs, they work no more. Here then is a natural stop put to industry'.⁵⁹ This 'stop' however, was only theoretical, as in practise the 'taste for superfluity' had no limits and therefore ensured manufacturing's future. Money was introduced at the point where bartering ceased to be practical, due to the multiplicity of wants. It enabled the continuation of industry and, at its conception, immediately increased mankind's desires:

So soon as money is introduced into a country it becomes, [...] an universal object of want to all the inhabitants. The consequence is, that the free hands of the state, who before stopped working, because all their wants were provided for, having this new object of ambition before their eyes, endeavour, by refinements upon their labour, to remove the smaller inconveniences which result from a simplicity of manners.⁶⁰

He went on to state that people who were previously satisfied with one type of clothing will now part with their money to have a variety of clothes adapted to the different seasons, 'which the ingenuity of manufacturers, and their desire of getting money, may have suggested to their invention'.⁶¹

⁵⁸ Pattullo, *Essay*, p. 8. See also: Anon., *Present State*, pp. 41–42, where its author argued that the goods exported from Bengal were not the product of willing industry, and that the Company could not expect to coerce the Indians to labour indefinitely.

⁵⁹ Steuart, *Inquiry*, p. 155.

⁶⁰ *Ibid.*, p. 156–57; see also Vickers, *Studies in the Theory of Money*, p. 247.

⁶¹ Steuart, *Inquiry*, p. 157.

Man's desires, then, spurred on industry, and money guaranteed its continuation, as it became a commodity of universal desire. The ingenuity of manufacturers ensured that these wants were constantly multiplied. At first, man had only been concerned with his subsistence, but once its attainment became more or less guaranteed, men could turn their attention to satisfying other wants. The desire to acquire wealth in order to meet new desires remained constant: 'as mankind seldom remain in a state of contentment, and our nature prompts us to add something new to our enjoyments, so it naturally happens, that societies once established, and living in peace, pass from one degree of refinement to another, that is to say, man daily becomes more laborious'.⁶² Reciprocal relations between members of the country remained crucial; Steuart had initially identified a division in society between free hands and farmers and their dependence on each other to fulfil their wants as the reason for industry and agriculture; as society however advanced, multiple chains of 'reciprocal obligations' were established.⁶³ Steuart described how such numerous and complex dependencies between people would lead to the common good in Bengal. He argued that allowing free trade in districts (of Bengal) that had paid their annual revenues to the Company (and after the Company had made their investments), would encourage inhabitants to pay their land-tax on time. In order to do this, they would need to borrow from the newly established bank, which in turn, would require them to 'establish their credit' (that is, their reliability to fulfil their obligations). The *shroffs*, who would become the bank-managers, would be prevented from oppressing the labourers and manufacturers because the 'profits of the bank' depended upon 'the credit of the inhabitants, and upon the preservation of their property'.⁶⁴ In these ways, their reliance on each other, and their pursuit of their own welfare (which was connected to the good of their fellow men), would lead them to promote one another's prosperity.

The circulation and diffusion of increased wealth amongst a people, gained by trade, played a pivotal role in the transformation of society; Steuart described the social and political revolution a society underwent when it materially progressed from a feudal system to that of where society was divided between free hands and farmers. In feudal times (in Europe), Steuart explained,

⁶² Steuart quoted in: A. S. Skinner, 'Sir James Steuart: Economics and Politics', *Scottish Journal of Political Economy*, 9 (1962), 17-37 (p. 25).

⁶³ Steuart, *Inquiry*, p. 89.

⁶⁴ Steuart, *Principles of Money*, pp. 88-89; Steuart, *Inquiry*, p. 440.

lords had been jealous of, and fought with, one another, but upon the discovery of America and the East Indies, the pattern of their interaction with one another was altered. This was because trade with those parts of the globe brought increased trade and luxury to the nation, which increased the power of the princes, and thereby attracted the lords to their courts:

The courts of princes then became magnificent; the feudal lords insensibly began to frequent them with more assiduity than formerly. The splendour of the prince soon eclipsed those rays which shone around them upon their own lands. They now no more appeared to one another as objects of jealousy, but of emulation.⁶⁵

The desire to imitate one another caused competition between them to own luxury goods: 'every one vied with one another in magnificence of palaces, clothes, equipages. Modes changed and by turn enlivened the different branches of industry'.⁶⁶

Steuart accepted that, initially, such changes in the economy and society inevitably meant that some people would lose their means of subsistence — specifically, the peasants, who would have to find other ways of maintaining themselves, after the lords left for the towns. Eventually, however, Steuart argued, wealth would trickle down benefiting all of society: 'the children of the miserable, who felt the sad effects of the revolution, but who could not foresee the consequences, began to profit by it. They became easy and independent in the great city, by furnishing to the extravagance of those under whose dominion they were born'.⁶⁷ The luxurious taste of the nobility created a new manufacturing sector and work for the dislocated, as well as redistributing wealth within the society. Steuart wanted to take advantage of the same process in Bengal. He argued that the tribute the Company paid to the Mughal court could be drawn back to Bengal by introducing 'European luxuries' in the Mughal court.⁶⁸ That is, if the Mughal emperor and his courtiers developed a taste for European goods they would willingly part with their wealth in order to obtain such goods from the Company.

⁶⁵ Steuart, *Inquiry*, p. 60; Cf. Pocock, *Barbarism*, II, pp. 86–87.

⁶⁶ Steuart, *Inquiry*, p. 61; Cf. Pocock, *Barbarism*, II, p. 223. Steuart here emphasised the material and political benefits that accrued to society as a result of the court's growth in power. By contrast, Hume emphasised the changes in the manners of the people that the same process wrought: 'in a civilised monarchy, there is a long train of dependence from the prince to the peasant, which is not great enough to render property precarious, or to depress the minds of the people; but is sufficient enough to beget in everyone an inclination to please his superiors, and to form himself upon those models, which are most acceptable to people of condition and education. Politeness of manners, therefore, arises most naturally in monarchies and courts' ('The Rise of Arts and Sciences', pp. 126–27).

⁶⁷ Steuart, *Inquiry*, p. 61. Cf. Pocock, *Barbarism*, II, p. 251.

⁶⁸ Steuart, *Principles of Money*, p. 73.

Steuart's argument suggested that the principles which animated the European feudal nobility could also be used to draw the wealth of the Mughal Court into circulation — the transformation of Europe had not been the result of a unique process or set of circumstances. On the contrary, Steuart argued that if the nobles had not demanded a variety of goods — had not spent their money on, for instance fine clothes — but kept their wealth in coffers, then employment would not have been created for the poor, and the material advancement of society would not have occurred. In other words, the revolution in the feudal era had been brought about by a specific set of circumstances, leading people to act in certain ways. Variations in those circumstances would have led people to act in different (but equally predictable) ways. The circumstances that Steuart presupposed for the process of development that he was describing were a fertile country and a people that were industrious (willing to work) and disposed to luxury (willing to spend): 'laziness is the greatest of all obstacles to labour and industry. Manufactures will not flourish here'; people with a few wants and an aversion to labour could not progress in the manner he had described. Instead, amongst an indolent people, Steuart argued, 'riches [...] will [...] be adored as a god' but without circulation the riches would do little good.⁶⁹ If a modern 'polite nation of Europe', Steuart conjectured, were to return to the 'simplicity of the ancient patriarchs', most of Europe's free hands would face the prospect of starvation.⁷⁰

Industry, and consequently material progress, hinged upon the people contracting a desire for luxury. The concept of 'luxury' was of course a concept that was a matter of much debate in the eighteenth century. Steuart defined luxury, in book I chapter 6 as:

*The consumption of any thing produced by the labour or ingenuity of man, which flatters our senses or taste of living, and which is neither necessary for our being well fed, well clothed, well defended against the injuries of the weather, or for securing us against every thing which can hurt us.*⁷¹

By this definition Steuart hoped to steer away from the moral debate surrounding the idea of 'luxury'; he argued that his only intention was to consider the concept in the 'political sense' —

⁶⁹ Steuart, *Inquiry*, pp. 38–39, 46.

⁷⁰ *Ibid.*, pp. 48–49.

⁷¹ *Ibid.*, pp. 43–44.

that is, to consider the usefulness of luxury for providing work and food for people.⁷² He stressed however that luxury was only beneficial in the first two stages of his implicit stadial history, and became harmful to society in the third stage, which was the era of international trade.⁷³ However, in book two chapter twenty, Steuart proceeded to give the reader a more comprehensive treatment of his conception of luxury; here he attempted to distinguish the term from the negative connotations with which it had been traditionally associated, namely that of moral corruption.

Fundamentally, Steuart made a distinction between 'luxury' and 'excess'. Extreme luxury, he stated, could harm the mind, body and fortune of an individual, as well as the interests of the state, because of the negative results that it produced. However, the harmful consequences could not 'be called the *necessary effects* of the *cause* [luxury]'; they were instead the result of vice. The love of fine food, Steuart argued, was not the same as the vice of gluttony. The 'vicious excess' of the latter was unacceptable as it harmed the body, while the luxury of the former contributed to the prosperity of society — the luxurious tastes of the lords during the dissolution of the feudal structure of society was an illustration of the point that Steuart wanted to make. The lords' desires for carriages and other superfluities provided work for the poor and put wealth into circulation. Steuart argued: 'no man can become luxurious, in our acceptation of the word, without giving bread to the industrious, without encouraging emulation, industry and agriculture; and without producing an adequate equivalent for every service'.⁷⁴

The progress from living on the spontaneous fruits of the earth to a stage of agriculture and then to that of trade, saw the transformation of the manners of the people — most significantly they lost their simplicity. In addition, an alteration in their political organisation was also noticeable: the introduction of money caused a change in the relationships between different sections of the society. Specifically it caused an alteration in the degree of subordination rulers could expect from their people. Steuart argued that subordination 'implied an authority which superiors have

⁷² Berry, *The Idea of Luxury: a Conceptual and Historical Investigation* (Cambridge: Cambridge University Press, 1994), p. 138.

⁷³ Steuart, *Inquiry*, p. 44n.

⁷⁴ *Ibid.*, pp. 265–69. On the concept of luxury in the eighteenth century, see: Berry, *Idea of Luxury*, ch. 6; Donald Winch, *Riches and Poverty: an Intellectual History of Political Economy in Britain 1750–1834* (Cambridge: Cambridge University Press, 1996), ch. 3.

over inferiors'; dependence, in turn, implied 'certain advantages which the inferiors draw from their subordination'; the degree of subordination and dependence in a society rested upon the material progress of a society. Extreme subordination, slavery, was the result of individuals' total dependence upon others for food. Similarly, in the feudal era, vassals served their lords because of their need for subsistence. By contrast, in the age of industry and money, liberty had 'extended to the lowest denominations of a people', as they no longer relied upon their superiors for their food, but subsisted by their own industry. However, crucially, the new liberty had not destroyed the 'dependence necessary to serve as the band of society'.⁷⁵

In Steuart's thought therefore, authority and subordination had to be '*in proportion to dependence*'; for example, a high degree of subordination could not be demanded where dependence was slight. Steuart set it down as a rule that 'industry must give wealth, and wealth *will* give power'. It was the statesman's task to ensure that subordination between classes reflected the progress of society; failure to do so in the past, argued Steuart, had resulted in violent revolutions:

All these violent convulsions have been owing to the short-sightedness of statesmen; who inattentive to the consequences of growing wealth and industry, foolishly imagined that hereditary subordination was to subsist among classes, whose situation, with respect to each other, was entirely changed.⁷⁶

The implication was that if government, in a commercial age, was to avoid revolts, it had to increase the amount of liberty its people enjoyed — a new equilibrium, between subordination and liberty had to be found. Such a move was in the ruler's interest, if he wanted to be ensured of the continued cooperation of his people.

Steuart argued, in order to demonstrate the accuracy of his argument, that trade might have owed its establishment to the ambition of princes, but it had become the means by which the people had been freed. The prince had embarked upon trade in hope for greater wealth, but it was impossible that he could have appropriated all of it:

Trade and industry [...] owed their establishment to the ambition of princes who supported [...] the plan [...], with a view to enrich themselves, and thereby to become formidable to their neighbours. But they did not discover, until experience taught them, that the wealth they drew from such fountains was but the overflowing of the spring;

⁷⁵ Steuart, *Inquiry*, p. 207–08. Steuart argued that the substitution of money for service was 'the palladium of liberty, the fountain of gentle dependence, and the agreeable band of union among free societies', *ibid.*, p. 268.

⁷⁶ *Ibid.*, pp. 208–09, 213–15.

and that an opulent, bold and spirited people, having the fund of the prince's wealth in their own hands, have it also in their own power, when it becomes strongly their inclination, to shake off his authority.⁷⁷

In order to preclude these consequences a 'milder revolution' had taken place in European states, by which the power of the ruler was curtailed, and greater liberty was conceded to the people.⁷⁸

In addition, the idea that subordination had to be in proportion to dependence was also the foundation on which Steuart believed that Britain's conflict with the American colonies should be resolved: if the colonies were not dependent on Britain, they should be set free.⁷⁹ The context of Bengal was different from that of America — for one, the spirit of the people differed, but clearly, if wealth gave power to the people, then according to Steuart's reasoning, Bengal could not forever be a part of the British Empire. This did not mean that Britain's connection with Bengal would be lost, but that their relationship would have to be renegotiated.

II. Self Interest and National Spirit

Steuart's conjectural history set out an account of how human beings progressed from living on the spontaneous fruits of the earth to engaging in a complex system of international trade. In the process, Steuart also described the political and social transformation which accompanied this alteration in a country's mode of subsistence. The statesman's task at any given point in a society's development was tailored to those specific circumstances. This was why Steuart had argued that when a ruler was faced with the practical task of governing a country, any general principle of political economy seemed 'quite ineffectual'. This was a point that Steuart made in the opening pages of his treatise. He argued that, in reality, a statesman could be confronted with a diverse range of political and social arrangements 'proceeding from the variety of forms of government, laws, climate, and manners', which meant that any plan of political economy had to be tailored to the specific realities of the country in question. But this did not mean that the statesman was constrained by the material and physical environment as to what he could achieve — a simple nation, for instance, was not forever precluded from enjoying international commerce. Rather, by manipulating the spirit of a people — by changing the circumstances in

⁷⁷ Ibid., pp. 215–16.

⁷⁸ Ibid., p. 215. For a comparison of Steuart's views with John Millar, see: Skinner, 'Economics and History', pp. 12–14.

⁷⁹ David Raynor and Andrew Skinner, 'Sir James Steuart: Nine Letters on the American Conflict, 1775–1778', *William and Mary Quarterly*, 3rd Ser., 51, 4 (1994), 755–776 (pp. 763–64, 766).

which people lived and redirecting their interest to new objects — the statesman could come to implement a scheme of political economy that would initially have been incompatible with the people's disposition.⁸⁰

Steuart's utilisation of the concept of self-interest was informed by the much wider debate regarding manners, commerce and the stability of the state that formed part of the preoccupation of Enlightenment thinkers in Scotland, and with the controversy which was generated by the writings of Bernard Mandeville. The latter had contended that the motive force of all actions was self-love; that is, whether an action was virtuous or vicious, the intent or passion that preceded it was always selfish. Mandeville argued that any act which seemed to be self-depreciating and was aimed at the good of others was in fact wholly self-seeking — apparently virtuous, self-denying acts of generosity, by great men, Mandeville remarked, could be compared to ornamental vases: 'they make a fine Shew [...], but look into a thousand of them, but you'll find nothing in them but Dust and Cobwebs'.⁸¹ Mandeville sought to use scientific methodology in his treatise in order to discover the laws of human action — Hume, in fact, named him as one of the thinkers that had 'put the science of man on a new footing'.⁸² Mandeville's aim was to demonstrate the 'unintended consequences' that resulted from 'self-interested action' — which he identified as the socialisation of man and the creation of morality.⁸³ His thought had a discernible influence on Steuart's ideas, but at the same time, Steuart distanced himself from Mandeville's extreme formulations.

Mandeville's *Fable* aroused public furore on its second publication due to the inclusion of several new items, including an essay on charity schools.⁸⁴ The central argument of his book however, that man was motivated by self-interest rather than any conception of virtue, had its foundations in Renaissance thought. The desire, at this time, for a realistic understanding of the way states

⁸⁰ Steuart, *Inquiry*, p. 17.

⁸¹ Bernard Mandeville, *The Fable of the Bees: or Private Vices, Publick Benefits*, ed. F. B. Kaye, 2 vols (Oxford: Clarendon Press, 1924; repr. Indianapolis: Liberty, 1988), I, p. 168. Cf. Adam Smith, *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. Macfie (Oxford: Clarendon Press, 1976; repr. Indianapolis: Liberty, 1984), pp. 308–13

⁸² Hume quoted in E. G. Hundert, *The Enlightenment's Fable: Bernard Mandeville and the Discovery of Society* (Cambridge: Cambridge University Press, 1994; repr. 1996), p. 60 (see also, pp. 44–45).

⁸³ *Ibid.*, pp. 60–61.

⁸⁴ *Ibid.*, p. 7.

functioned (which had motivated Machiavelli) — as opposed to idealised conceptions of political arrangements — was extended to human behaviour.⁸⁵ Spinoza argued that philosophers wrote about how human beings ought to behave — the motives that should underpin their behaviour — rather than acknowledging the passions that actually motivated them.⁸⁶ Studying man ‘as he really is’ was Mandeville’s project, and that of theorists like Hume and Smith, although they did not accept the extremities of Mandeville’s ideas. The object of a more realistic appraisal of human behaviour was to find a more effective method of managing human behaviour.

This area of thought has been fully explored by Albert Hirschman in his *The Passions and the Interests*. He points out that the desire to find alternative ways of curbing the negative passions of men stemmed from the feeling that religious instruction no longer exerted an effective control upon men. He identified three alternative solutions that were put forward from the Renaissance onwards; the first method was that of coercion and repression; the second one was that of harnessing the passions and channelling them into socially useful directions.⁸⁷ This was an idea that was utilised by Vico who argued that ‘out of ferocity, avarice, and ambition, the three vices which lead all mankind astray, [society] makes national defence, commerce, and politics’.⁸⁸ Both these methods were, Hirschman point out, problematic; the latter method presented the problem of how, precisely, private vice was transformed into public benefit, while the former solution did not deal with the cause of the problem. The third solution Hirschman outlines was that of using ‘one set of comparatively innocuous passions to countervail another more dangerous and destructive set’, in other words, to ‘fight fire with fire’.⁸⁹

The last method is one that can be found at work in the writings of Mandeville and individuals such as Hume and Smith. Hume, for instance, argued that often it was only possible to ‘cure one vice by another’.⁹⁰ The word ‘interest’ became the ‘generic term for those passions that’ were ‘assigned the countervailing function’.⁹¹ The idea of ‘interest’ opposing the passions was then the

⁸⁵ Hirschman, *Passions and the Interests*, p. 13.

⁸⁶ *Ibid.*, pp. 12–14.

⁸⁷ *Ibid.*, pp. 14–16.

⁸⁸ Vico quoted in *ibid.*, p. 17.

⁸⁹ *Ibid.*, p. 20.

⁹⁰ Hume, ‘Of Refinement in the Arts’, in *Essays*, p. 280.

⁹¹ Hirschman, *Passions and the Interests*, p. 28.

idea of one set of passions tempering another, socially harmful, set. Importantly, the term 'interest' had originally been associated with the state — the prince worked for the 'interest of the state', which meant that he advanced the power and wealth of the state, rather than indulging his passions. Hirschman notes that the interest of state became the 'national interest' in England, and in the closing decades of the seventeenth century, the term was used in the plural and in relation with groups and individuals. The term 'interests' here carried connotations of economic advantage; consequently the pursuit of wealth became synonymous with following one's interests, and wealth-making was thereby shorn of its association with vice.⁹²

Self-interest was seen to contain the 'better nature' of both passion and reason, which represented the traditional (but precarious) methods by which leaders had sought to tame human behaviour. Self-interest was both 'the passion of self-love upgraded and contained by reason' and it was reason 'given direction and force' by self-love.⁹³ The new confidence in the passion of self-interest to manage human behaviour was not universal; some thinkers felt that reason might not always be able to contain the passion of self-love and that, when fully aroused, men would not check its impetuosity. Spinoza argued: 'all men certainly seek their advantage, but seldom as sound reason dictates; [...] in their desires and judgements of what is beneficial they are carried away by their passions, which take no account of the future or of anything else'.⁹⁴ Despite this danger, the advantage of a world where behaviour was governed by self-interest was predictability and constancy.⁹⁵ The actions of men in a given context could be anticipated if they were governed by their self-interest.

Steuart saw the advantages that self-interest offered to the statesman over other means of managing the passions. He argued that 'the best way to govern a society, [...] is for the statesman to form a system of administration, the most consistent possible with the interest of every individual'. He went on to state: 'were a people to become quite disinterested; there would be no possibility of governing them. Everyone might consider the interest of his country in a different

⁹² Ibid., pp. 32–42; Keohane, *Philosophy and the State*, p. 154.

⁹³ Hirschman, *Passions and the Interests*, p. 43.

⁹⁴ Ibid., p. 44.

⁹⁵ Ibid., pp. 48–56.

light, and many might join in the ruin of it, by endeavouring to promote its advantages'.⁹⁶ Steuart went further and suggested that individual interpretations of the common good were counter-productive: 'were a rich merchant to begin and sell his goods without profit, what would become of trade? [...] Were people to feed all who would ask for charity, what would become of industry?' As long as the statesman was driven by public spirit (which was his self-interest) there was no need for the people to be concerned with anything but their own affairs: 'operations of public spirit ought to be left to the public [statesman], and all that is required of individuals is, not to endeavour to defeat them'.⁹⁷

For Steuart then, the public good was achieved by the individual pursuit of private interest and the direction of that interest by the statesman. He saw it as the 'ruling principle' of his work — not because he considered it the only motive force of human action, but because it was the central assumption, the constant, from which he drew his conclusions: 'from this principle, men are engaged to act in a thousand different ways, and every action draws after it certain necessary consequences. The question therefore constantly under consideration comes to be, what will mankind find it in their interest to do, under such and such circumstances?' Steuart implied that there could be no 'laws' if this constant did not hold true: 'were miracles wrought every day, the laws of nature would no longer be laws'. Steuart's ultimate point was that a ruler could no more govern a people if they did not follow individual self-interest than a natural philosopher could discover the laws of the universe in the context of supernatural occurrences.⁹⁸ It was on the foundation that people were motivated by their selfish passions, and that the object of their passions could be predicted from the circumstances in which they existed, that Steuart could state the complex interdependencies that would be formed in Bengal by his proposed reforms, such as that between the workers and the money-changers.⁹⁹

Despite the fact that Steuart's use of the concept of self-interest had much in common with the ideas that Mandeville advanced, Steuart implicitly distanced himself from some of Mandeville's

⁹⁶ Steuart, *Inquiry*, pp. 143–44; Hirschman, *Passion and the Interests*, pp. 49–50.

⁹⁷ Steuart, *Inquiry*, pp. 142–44; Steuart had earlier (p. 143) identified the 'public' as the 'statesman'.

⁹⁸ *Ibid.*, pp. 142–43.

⁹⁹ See also the argument developed in: Keir, *Thoughts*, p. 11.

assertions at various points in his work. Firstly, Steuart made it clear that self-interest was the 'ruling principle of his 'subject' rather than the 'universal spring of human action'; he argued, for instance, that human beings also acted from the principle of duty. Individuals, he stated, had to moderate their self-love ('desire for ease and happiness') according to the responsibilities that they encountered. For instance, as a parent, duties towards one's child placed constraints on the extent to which self-love could be indulged.¹⁰⁰ Secondly, he pointed out that a 'good action' was one where there was 'conformity between the motive, and the duty of the agent'.¹⁰¹ He also added that it was 'absurd to say, that no action' was 'truly virtuous' or that 'none' was 'really vicious'.¹⁰² This was an implicit attack on Mandeville's work; the latter had pointed to the discrepancy that existed between duty and motive. He contended that people only fulfilled their responsibilities because it was in their interest to do so. Virtue and vice, in his thought, were simply social inventions created to deceive men into repressing their passions.¹⁰³ This was a formulation that Adam Smith had been at pains to counter in his own treatise by stressing the difference between the 'love of praise' and 'genuine praiseworthiness'.¹⁰⁴

Mandeville set out to prove his proposition by putting forward his version of conjectural history, a consideration of which further reveals the differences between his and Steuart's beliefs. Mandeville's source for the early character of man was the behaviour of children.¹⁰⁵ He believed that it would be possible to establish the passions that were innate to man, by observing the way that children acted.¹⁰⁶ Man, according to Mandeville, was not innately good, as Shaftesbury for instance had suggested, but rather naturally 'selfish and headstrong'.¹⁰⁷ However, it was precisely man's socially inimical passions that made it possible for him to live in organised communities. As observation of children's behaviour revealed, argued Mandeville, it was natural for man to want to establish his superiority over others ('love of dominion'), and it was this fact that had been used by 'Lawgivers and other wise Men' to manipulate man into society. The earliest men

¹⁰⁰ Steuart, *Inquiry*, pp. 143, 35, 11.

¹⁰¹ *Ibid.*, p. 11.

¹⁰² *Ibid.*, p. 143.

¹⁰³ Mandeville, *Fable*, I, p. 48.

¹⁰⁴ Winch, *Riches and Poverty*, pp. 69–70; Bert Kerkhof, 'A Fatal Attraction? Smith's "Theory of Moral Sentiments" and Mandeville's "Fable"', *History of Political Thought*, 16, 2 (1995), 219–233 (p. 228).

¹⁰⁵ Hundert, *Enlightenment's Fable*, p. 63.

¹⁰⁶ Mandeville, *Fable*, I, p. 281.

¹⁰⁷ *Ibid.*, I, pp. 323, 42.

were firstly flattered into believing that they were vastly superior to animals; then, they were, secondly, taught that indulging their brute passions was a degradation of their 'higher' nature.¹⁰⁸

Once man was brought into society, his self-love was regulated by the passion of pride; Mandeville argued that 'skilful Politicians' played upon man's desire for the praise of his fellow men and his fear of their contempt, in order to govern him. Leaders, stated Mandeville, created fictitious categories of vice and virtue in order to make man act in accordance with the common good. Anything that went against the public good was designated a vice, while actions that brought benefit to others — 'contrary to the impulse of Nature' — were defined as virtuous. To illustrate the point that pride was natural to man, Mandeville pointed to the example of children: parents, he argued, encouraged their children to behave well by strategies of praise and shame.¹⁰⁹ The case of adult motivation was of course far removed from that of a child, but Mandeville suggested that the principle remained the same; the desire for honour and need to avoid shame, led men to manage their appetites:

The Greediness we have after the Esteem of others, and the Raptures we enjoy in the Thoughts of being liked, and perhaps admired, are Equivalents that overpay the Conquest of the strongest Passion, and consequently keep us at a Distance from all such Words and Actions that can bring Shame upon us.¹¹⁰

The achievements of Rome were an example of the benefits that could accrue to a country whose leaders effectively manipulated the passion of pride. Mandeville argued:

But if we would know what made them 'em excel in Fortitude, Courage and Magnanimity, we must cast our Eyes on the Pomp of their Triumphs, the Magnificence of their Monuments and Arches; [...] and [...] imaginary Rewards they bestow'd on Men of Merit; and we shall find, that what carried so many of them to the utmost Pitch of Self-denial, was nothing but their Policy in making use of the most effectual Means that human Pride could be flatter'd with.¹¹¹

In Mandeville's view, acting in ways that earned social esteem — acting rationally, virtuously — amounted to acting contrary to nature.¹¹² What was condoned and condemned in society was the result of custom, which Mandeville believed was a collection of arbitrary rules; he illustrated this

¹⁰⁸ Ibid., I, pp. 281, 42–43; Hundert, *Enlightenment's Fable*, p. 43.

¹⁰⁹ Mandeville, *Fable*, I, pp. 46–49, 53–54.

¹¹⁰ Ibid., I, p. 68. On the distinction that Mandeville made between self-love and self-liking, see: Kerkhof, 'Fatal Attraction', p. 232.

¹¹¹ Mandeville, *Fable*, I, p. 51.

¹¹² Ibid., I, pp. 48–49.

point by giving examples such as the fashions that regulated women's dress code.¹¹³ Importantly however, the desire for esteem meant that man's real passions were only hidden rather than subdued, and men were only required to suppress their passions while they were in the company of others.¹¹⁴ There was, in other words, no social convention in private: a man, argued Mandeville, could be esteemed by society 'without [...] making the least Conquest of his Passion'.¹¹⁵

The idea that morality was no more than custom was denounced by Francis Hutcheson who argued that men did enjoy a moral sense. He contended that men were naturally disposed to act in certain ways and felt pleasure when they did; individuals who failed to do so felt unease and shame. Virtue and vice were actions that man's moral sense approved and disapproved of respectively.¹¹⁶ Significantly however, as Hundert has pointed out, Hutcheson believed that actions were the result of the passions rather than reason alone; what restrained the passions was not manipulation, as Mandeville had argued, but sociable feelings that men apparently possessed.¹¹⁷ Hume, by contrast, did not believe that men recognised an action as virtuous because they were pleased by it, rather the source of the distinction between good and bad was to be found, as Mandeville had argued, in 'education, habit and custom'. For Hume the 'rules of justice' were artificial in that they 'had no plausible natural source capable of accounting for their universal and unconditional applicability'. The rules were not the result of any innate moral sense or human passion but arose out of the progress of human society. Hume's departure from Mandeville's thought was in his rejection of Mandeville's assertion that conceptions of right and wrong were created by the politician. Rather, Hume argued that men had 'a natural sentiment of approbation and blame', which made categories of honour and shame intelligible to them. Morality and justice were not arbitrary enactments of individual action but the 'spontaneous and unplanned product of social intercourse' — their evolution in other words was entirely 'natural'.¹¹⁸

¹¹³ Ibid., I, pp. 69, 172–73

¹¹⁴ Ibid., I, p. 72.

¹¹⁵ Ibid., I, pp. 79–80.

¹¹⁶ See: Hundert, *Enlightenment's Fable*, p. 81.

¹¹⁷ Ibid., pp. 80–82.

¹¹⁸ Ibid., pp. 82–86. See also: Ronald Hamowy, *The Scottish Enlightenment and the Theory of the Spontaneous Order* (Carbondale: Southern Illinois University Press, 1987).

The relevance of this discussion to Steuart's thought lies in the fact that Steuart subscribed to the idea that 'order' was created unintentionally — as the involuntary outcome of individual actions. For instance, the encouragement of commerce by kings had led to consequences that they had not anticipated — it had led to a new social and political order. In addition, the common good was created by the individual pursuit of private interest. However, as we have seen, the initiating force of change was the statesman, and he was also the agent that maintained the equilibrium between the different forces at work in an economy. Steuart's statesman was analogous to Mandeville's scheming politicians, but differed in that he did not invent categories of vice and virtue; instead, he appealed to the passion of self-interest in order to lead men into desirable directions. Free men, argued Steuart, could only 'be brought to act in general, and in matters which purely regard the public' from the principle of 'private interest'.¹¹⁹ This principle held true at all stages of human development, and it was this passion that the statesman made use of to further the material progress of man: it was self-interest that had induced the farmer to produce superfluous products and that had led to the transition from feudal to 'free' societies.

However, while Steuart had clearly stated that in all ages, climates and countries men 'uniformly' acted 'from the principles of self-interest, expediency, duty or passion', the object of their passion or interest was in Steuart's thought determined by their spirit. All countries, Steuart contended, had a particular spirit and had to be governed according to it. The spirit of the people was formed by:

A set of received opinions relative to three objects; morals, government and manners: these generally adopted by any society, confirmed by long and constant habit, and never called in question, form the basis of all laws, regulate the form of every government, and determine what is commonly called the customs of a country.¹²⁰

We have already seen that Steuart saw the legitimacy of monarchs as resting in history, but he believed that manners and laws also came to be accepted by people over time. It was habit, in other words, which gave credence to a social and political organisation. In particular, Steuart argued that the manners of a people could be very distinct to them, and a statesman had to pay particular attention to them, especially to what was socially approved and disapproved as they

¹¹⁹ Steuart, *Inquiry*, p. 143.

¹²⁰ *Ibid.*, p. 22.

had no 'rule' to them: 'opinion of a people with regard to injuries is established by custom only' and 'an innocent liberty with the fair sex, which in one country passes without censure, is looked upon in another as the highest indignity'.¹²¹

The statement that governments had to be in conformity with the spirit of the people was advice that was specifically directed at the statesman who wished to change the circumstances in which people existed.¹²² For instance, a ruler that desired his country to engage in international trade could only bring about this change, without violence and protest from his people, if he tailored his programme to fit the manners of the people. It was also advice that was relevant to conquerors of other territories. Rulers and conquerors could not impose what they thought was 'good' for the people, but only what was good and compatible with their manners. Freedom, for instance, a new ruler might reason, would be welcomed by the oppressed, but giving it to those whose manners were not prepared for it, only constituted a new refinement upon their oppression:

I might safely say, there is no form of government upon earth so excellent in itself, as, necessarily, to make people happy under it. Freedom itself, *imposed* upon a people groaning under the greatest slavery, will not make them happy, unless it is made to undergo certain modifications, relative to their established habits.

It was no wonder then, he asserted, 'that many examples may be found, of a people's rejecting the most beneficial institutions, and even the greatest favours, merely because some circumstance had shocked their established customs'.¹²³

The implications of this argument were related to the context of Bengal by Keir. He stated that men universally followed their interests, but were not always 'wise'. What he meant by this was that men could act foolishly or viciously, and therefore laws were required to prevent men from harming one another. Bengal, he believed, was in sore need of a system of laws, but while men acted from the same impulse, their notions of right and wrong differed from country to country.

¹²¹ Ibid.

¹²² 'If governments be taken in general, we shall find them analogous to the spirit of the people. But the point under consideration is, how a statesman is to proceed, when expediency and refinement require a change of administration, or when it becomes necessary from a change of circumstances', *ibid.*, p. 24.

¹²³ *Ibid.*, pp. 23, 27.

In order to govern Bengal properly — in order fully to benefit from her — Keir argued that a system of government consistent with the manners of the inhabitants had to be constructed:

In framing laws and rules for the right government of any nation of people, if we are desirous of rendering them in any degree happy and content; their notions of right and wrong, of what is useful and hurtful, or of civil liberty in general, must be attended to; and that not in a superficial and slight manner, but with the minutest care and exactness.¹²⁴

The idea that laws had to be analogous to the manners of a people had received its most famous formulation in the eighteenth century by Montesquieu — from whom Keir probably derived his own argument. Montesquieu had stated:

They [laws] should be related to the *physical aspect* of the country; to the climate, be it freezing, torrid or temperate; to the properties of the terrain, its location and extent; to the way of life of the peoples, be they plowmen, hunters, or herdsmen; they should relate to the degree of liberty that the constitution can sustain, to the religion of the inhabitants, their inclinations, their wealth, their number, their commerce, their mores and their manners.¹²⁵

Steuart however significantly modified this thesis; while he accepted that Montesquieu's claims were perfectly just where 'natural causes' were allowed to function without interference, he argued that Montesquieu's argument did not hold true where natural causes were 'checked' in their operation. In other words, Steuart believed that the negative, though natural, outcomes of certain causes could be prevented by an able statesman:

This great man [Montesquieu] reasoned from fact and from experience, and from the power and tendency of natural causes, to produce certain effects, when they are not checked by other circumstances; but in my method of treating this subject, I do not suppose these causes are ever to be allowed to produce their natural and immediate effects, when such effects would be followed by a political inconvenience: but I constantly suppose a statesman at the head of government, who makes every circumstance concur in promoting the execution of the plan he has laid down.¹²⁶

Accordingly, a successful statesman, in Steuart's thought, could lead a people in virtually any direction he liked. Steuart accepted that particular natural causes gave rise to certain effects, but he contended that these causes could be countered, and different effects created. Steuart reflected upon how the statesmen of Europe had made people willingly submit to a new social order — even though the people had lost a great deal of their former liberty: 'can any change be greater among free men, than from a state of absolute liberty and independence to become subject to

¹²⁴ Keir, *Thoughts*, pp. 11–13.

¹²⁵ Montesquieu, *Spirit*, p. 9.

¹²⁶ Steuart, *Inquiry*, p. 238.

constraint in the most trivial actions? [...] Yet we think ourselves more free than ever our fathers were'.¹²⁷ Previously, he argued, landowners enjoyed complete independence regarding the management of their estate; they were under no obligations other than the ones they initiated themselves, and their harvest was distributed according to their own wishes. Most importantly, the state made no demands upon them. In contemporary times, this had all changed because the government's need for funds, which had given rise to commerce, taxation and public credit, had altered traditional patterns of political and social organisation.

The fact that the people prided themselves on having gained greater freedom in modern times was an illustration of how the proper management of the spirit of the people and sensitivity to the specificity of the circumstances in which they lived, could make people submit to schemes of political economy that were not immediately to their advantage. To prove this point, Steuart gave an example of a policy that was most usually met with resistance: taxation. The people's opposition, Steuart contended, was the result of 'too little management [...] to prepare the spirits of the people for such innovations'. By contrast, he argued, people could be made to submit cheerfully 'to very heavy impositions, provided they be well-timed, and consistent with their manners and disposition'. The statesman was therefore required to work in tandem with the spirit of the people — which was not static, and consequently, the statesman was also obliged to be aware of changes in it, as well as being the catalyst of change: 'in every new step the spirit of the people should be first examined; and if this be not found ripe for the execution of the plan, it ought to be put off, kept entirely secret, and every method used to prepare the people to relish the innovation'.¹²⁸ The statesman could only fulfil these obligations if he was free from 'attachments and prejudices' peculiar to each country:

The great art of governing is to divest oneself of prejudices [...] to particular opinions [...]; to consult the spirit of the people, to give way to it in appearance, and in so doing to give it a turn capable of inspiring those sentiments which may induce them to relish the change, which an alteration of circumstances has rendered necessary.¹²⁹

¹²⁷ Ibid., p. 26.

¹²⁸ Ibid., pp. 25–26.

¹²⁹ Ibid.

Steuart argued that the possibilities for a statesman that learnt to manage a nation's spirit were endless: he could make the people submit to any scheme that was consistent with the common good:

When a people can be engaged to murder their wives and children, and to burn themselves, rather than submit to a foreign enemy [...]; I think I may say, that by properly conducting and managing the spirit of the people, nothing is impossible [...]. But [...] I must be understood to mean, that nothing essentially necessary for the good of the people is impossible.¹³⁰

While such a statesman may have had obvious affinities with Mandeville's cunning politicians, Steuart argued that statesmen should not use 'artifice' to trick their people into accepting certain policies as it would destroy 'confidence' between the ruler and ruled, which, in turn would mean that the statesman would face difficulties in implementing subsequent plans necessary for the preservation of the state.¹³¹ Steuart did not specifically construct this argument with the problem of governing Bengal in mind, but clearly his advice was one that was extremely pertinent to the Company as ruler of Bengal. It was the ability of the ruler, according to Steuart, that defined whether a country was well or ill-governed. The importance of a good system of government for Bengal did not go unnoticed in the literature concerning East Indian affairs; the necessity of establishing a 'fountain head of command', which was 'free from corruption', was a reform that many observers of East Indian affairs agreed upon; it was argued, for instance, in the *Plan for the Government of Bengal* that without a corruption-free authority, any other regulations for the reform of Bengal would fail.¹³²

A successful statesman, Steuart argued, was distinguished by his relationship with his people, which was free from conflict; such a relationship became possible where the principles of political economy were understood by all: the people willingly submitted to the ruler's plans because they understood the wisdom behind them, and in turn, the statesman did not abuse his powers and follow policies contrary to the common good.¹³³ Steuart accorded great power to the statesman, but he also made it clear that in modern times, that is the age of commerce, the ability of the statesman to abuse his power had been severely curtailed. A modern prince, Steuart

¹³⁰ Ibid., p. 25.

¹³¹ Ibid., p. 27.

¹³² Anon., *Plan for the Government of Bengal*, p. 5.

¹³³ Steuart, *Inquiry*, p. 18.

argued, could no longer depart from the principles of political economy without doing violence to the economy, and therefore to the prosperity of the country itself:

The power of a modern prince, let it by the constitution of his kingdom, ever so absolute, immediately becomes limited so soon as he establishes the plan of oeconomy which we are endeavouring to explain. If his authority formerly resembled the solidity and force of the wedge (which may indifferently be made use of [...], and which may be thrown aside and taken up again at pleasure), it will at length come to resemble the delicacy of a watch, which is good for no other purpose than to mark the progression of time, and which is immediately destroyed, if put to any other use, or touched with any but the gentlest hand.¹³⁴

The conflict-free relationship which Steuart described was of course not a feature of the connection that existed between the Company and Bengalis. Here, as Steuart must have been aware, many publicists argued that the Company had no interest in governing well, and that the whole 'machine of political government' had come to a halt.¹³⁵ Steuart sought to change this state of affairs; by reminding the Company that the prosperity of Bengal required that she was looked after, Steuart was providing the Company with a selfish reason for governing Bengal well.¹³⁶

It is evident that in Steuart's thought, the statesman had to make circumstances conform to the principles of political economy — in other words the market place needed the intervention of the ruler in order to function optimally.¹³⁷ Steuart did not envisage it as a system that regulated itself without the need of external interference. This was one of the fundamental differences between Steuart and Adam Smith. In one of the earliest fragments of Smith's work, Smith declared:

Man is generally considered by statesmen and projectors as the materials of a sort of political mechanics. Projectors disturb nature in the course of her operations in human affairs; and it requires no more than man to let her alone, and give her fair play in the pursuit of her ends, that she may establish her own design.¹³⁸

Letting 'nature' establish her own design was precisely what Steuart wanted to prevent when it entailed negative consequences from the point of view of national prosperity. Nature, in other words, did not always produce positive results, and it was down to the statesman to ensure the

¹³⁴ Ibid., pp. 278–79.

¹³⁵ Anon., *Present State*, p. 31.

¹³⁶ Steuart, *Principles of Money*, p. 69.

¹³⁷ On the relation of Steuart's thought with the German School of Cameralism, see: Keith Tribe, *Governing Economy: the Reformation of German Economic Discourse 1750–1840* (Cambridge: Cambridge University Press, 1988), pp. 137–40.

¹³⁸ Smith quoted in: Istvan Hont, 'The Political Economy of the "Unnatural and Retrograde" Order: Adam Smith and Natural Liberty', in *Französische Revolution und Politische Ökonomie*, ed. Maxine Berg et. al. (Trier: Friedrich-Ebert-Stiftung, 1989), p. 125.

common good by directing the interest of his people;¹³⁹ Smith, by contrast, in his *Theory of Moral Sentiments*, criticised what he called 'the man of system' who believed that they could 'arrange the different members of a great society with as much ease as the hand arranges the different pieces on a chess-board'. The reality was, Smith stated, that 'every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it'.¹⁴⁰

The fundamental incompatibility of Steuart and Smith's thought extended into the field of international commerce. The only circumstance under which Steuart believed that free trade could subsist was under a plan of universal monarchy. The reasoning behind this was consistent with his overall thought: he believed that the same harm would accrue to trading nations under open commerce as would be inflicted on an individual country if its citizens were animated by public spirit rather than self-interest. In a context where the states of Europe had separate trading interests from one another, Steuart was afraid that a common interest would not emerge spontaneously — without a common good, free trade would only result in bringing 'poverty to all the *states* of Europe': 'while there are different states, there must be separate interests; and when no one statesman is found at the head of these interests, there can be no such thing as a common good; and when there is no common good, every interest must be considered separately'.¹⁴¹ In Bengal, the Company had followed an interest that was separate to the common interest of the Indians. As a merchant, this had been perfectly acceptable, but as the sovereign, its true interest became the same as Bengal's. The Company's failure to see this, Steuart implied, had contributed to Bengal's decline.

Conclusion

There is no doubt that the range of publicists that were the particular focus of attention of chapters three and four recognised that Company rule of Bengal had created conditions that

¹³⁹ Sen, *Economics of Steuart*, p. 23.

¹⁴⁰ Smith, *Theory of Moral Sentiments*, pp. 233–34. See also: Winch, *Riches and Poverty*, p. 88. Cf. Tribe, *Governing Economy*, p. 140, who stresses that the task of Steuart's statesman was not to compel people to act in certain ways, but to anticipate and remove 'potential mischief' from the workings of the economy. A similar argument is also advanced in: Ikuo Omori, 'The "Scottish Triangle" in the Shaping of Political Economy: David Hume, Sir James Steuart and Adam Smith', in *Rise of Political Economy*, p. 113.

¹⁴¹ Steuart, *Inquiry*, p. 365.

were detrimental for the prosperity of Bengal. In their different ways, they put forward plans for the government of the territories, which they hoped would bring to an end the abuse that had taken place there, and restore Bengal to a state where industry and commerce could flourish. Commentators such as Nathaniel Smith and Pattullo recognised that where individuals were not protected from the arbitrary will of the ruler, they would not labour — unless they were coerced. Given that Bengal had no mines of gold and silver, the value of Bengal rested in her manufactures; if these decayed away, Bengal would cease to be an important acquisition. As Verelst had argued, the potential for prosperity rested in ‘the exertions of industry in all, whose labour alone could render Bengal a valuable possession to the British nation’.¹⁴²

By replacing the arbitrary political system under which the Indians lived, with a system based on fixed laws, would-be reformers hoped to establish conditions under which Bengal could prosper. Their reasoning was informed by Enlightenment debates regarding human nature, and the factors which accounted for the diversity of human political and social organisation. However, unsurprisingly, publicists who made use of Enlightenment thought (especially as it was developed in Scotland) did not pay attention to the detail of the original argument. While many publicists traded on an understanding that human nature varied according to enduring circumstance, they failed to appreciate that changing the circumstances in which people lived would give rise to different consequences. In other words, if the Indians were known to be servile because of the despotic government they lived under, a different type of government would give rise to a correspondingly different set of manners. Some particularly astute observers of East Indian affairs acknowledged the implications of changing circumstances for British rule of Bengal — specifically, that Britain could not hold Bengal as a dependency, and under an absolute system of government, while at the same time allowing the Indians the same degree of liberty enjoyed by Britons. Therefore, it was not that the Indians were inherently incapable of liberty, but that the latter was incompatible with ruling a conquered province. On the whole, however, as the example from the *Letter to Lord North* demonstrated, the premises of conjectural history were most usually misapplied.

¹⁴² Verelst, *View*, p. 86.

This was of course not a criticism that could be applied to Steuart's work. His thought demonstrates the importance of attending to the variety of arguments that the Enlightenment gave rise to. It also reveals the additional possibilities of reform and consequences that an accurate understanding of conjectural history (or at least one version of it) held out for the future government of Bengal. One of the fundamental ways in which Steuart believed that reform of the territorial acquisitions in India could be achieved was by the manipulation of the passion of self-interest. This same passion was the key to Steuart's main treatise: 'from this principle [i.e. self-interest], men are engaged to act in a thousand different ways, and every action draws after it certain necessary consequences. The question therefore constantly under consideration comes to be, what will mankind find it in their interest to do, under such and such circumstances?' This was a question that Steuart asked regarding the inhabitants (including Company servants) of Bengal. Steuart hoped that his reforms would make it in the interests of individuals to act in ways conducive to the common good — a good common to both Bengal and Britain. Self-interest would ensure that the Company maintained the credit of the bank Steuart wished to establish,¹⁴³ that rents were paid on time¹⁴⁴ and that the money changers (*shroffs*) did not oppress the labourers: 'interest does all [...]. By directing the interest of individuals to a proper object, good government is established'.¹⁴⁵ By making reforms a prerequisite for the realisation of individual self-interest, their implementation appeared guaranteed.

Steuart however knew that unintended consequences flowed from the implementation of a new scheme of political economy. Steuart had described in his *Inquiry* how the transition from the feudal age to the modern commercial one had altered the country's social and political arrangements. In the modern era, the former peasants were no longer dependent on the lords for their subsistence, and the lords in turn could not demand the labour of their former peasants. This change in the level of dependence had forced rulers to alter the degree of subordination they demanded from their people — the change was a necessary consequence of 'growing wealth and industry'. Steuart believed that the same principles regulated the relationship of a mother country and her subordinate territories: the American colonies, he argued, could not be forcibly held by

¹⁴³ Steuart, *Principles of Money*, p. 87.

¹⁴⁴ *Ibid.*, p. 89.

¹⁴⁵ *Ibid.*

Britain if their dependence on her was slight. All this did not necessarily suggest that Britain would eventually lose her connection with Bengal, but rather that, as circumstances changed, a new relationship would eventually have to be forged.

Conclusion

The territorial acquisitions on the sub-continent were not the result of a national imperial policy. Once acquired however they became a matter of national concern. Successive governments in Britain before 1772 may not have concerned themselves with the administration of Bengal — they set their sights instead on obtaining a share of the acquired revenues — yet this did not demonstrate that they failed to recognise the importance of the possessions for Britain. More generally, the East India Company itself was the vehicle by which British interests in Asia were advanced and the British government was ultimately prepared to provide it with financial (as in 1773) and military (as in 1769) support. The rationale of Britain's overseas enterprises was commercial, but this did not preclude the use of force; in Asia trade had long been supported by the use of naval power and fortifications. The acquisition of political power in Bengal became the logical extension of the way the Company traded: it had always sought to gain trading privileges and to limit its degree of dependence on Indian powers — political control gave the Company the highest degree of security that it could hope to possess for its trade. With the widespread belief that France was simply waiting for an opportunity to undermine Britain's global position, abandoning territorial control was never on the agenda.

The timing of the British takeover of power in Bengal can only be explained with reference to the long term developments of the Mughal Empire, Anglo-French rivalry and the local politics of Bengal. Through the course of the eighteenth century, Bengal had emerged as a *de facto* independent state and the privileges negotiated by the Company with the emperor could only be enforced by the cooperation of the local rulers. With the accession of Siraj ud-Daula to the throne of Bengal in 1765, relations between him and the Company's servants broke down. The causes of their strained relationship included procrastination by the Company in the payment of a sum demanded by the nawab, the building of additional fortifications (by the Company), and the nawab's underlying resentment against the Company's growth in commercial power and its duty-free trade. However, what proved to be decisive after Siraj ud-Daula attacked and captured Fort William — for the way their mutual grievances were resolved — was the Company's ability (and willingness) to use military force. Military might was an option the Company could use at

this date because of the concentration of its troops in the Carnatic — had these events transpired earlier in the century, the Company would not have been able to respond in the same way.

The servants' initial ambitions may not have extended beyond the recapture of Calcutta and the reestablishment of the Company's position, but the servants subsequently became part of an Indian conspiracy to overthrow Siraj ud-Daula. The plotters included leading merchants and disaffected elites, and their plot provided an opportunity for the Company to increase their advantages; besides this, the servants had ample additional reasons of their own for desiring a change of ruler: they mistrusted the intentions of the current nawab and believed that he was in secret contact with the French. The 1757 revolution gave the Company the chance to alter this state of affairs, and it ultimately proved to be a turning point in Company-nawab relations because it revised the balance of power in favour of the Company: it became inconceivable for any ruler of Bengal to follow a policy which could be detrimental for the interests of the Company.

Britain's ideological misgivings concerning the acquisition of a territorial empire in the east were enormous and cannot be overstated. Politicians and thinkers well versed in Classical history took the Roman Empire as an example of the consequences that followed from territorial aggrandisement: introduction of luxury, corruption of manners, erosion of metropolitan political liberty and the establishment of military dictatorships. These fears had been clearly articulated in various histories and analyses of the Roman Empire written by (for instance) Machiavelli, Montesquieu and Ferguson. Istvan Hont has shown the ways in which practical considerations — international balance of power and market forces — placed constraints on national politics and ideological commitments.¹ That is, a state's need for finance and its fear of other nations undermining its power and independence, forced leaders to sacrifice what was theoretically desirable for what was practically necessary for the state's survival. So Charles Davenant argued that trade, despite its 'pernicious' consequences, had to be cultivated in order to provide the necessary resources for national defence.² Territorial empire was rationalised in the same manner; Marshall has argued that 'the contours of British expansion overseas were largely

¹ Hont, 'Free Trade', pp. 66–68

² Davenant quoted in *ibid.*, pp. 65.

shaped by government's sense of what was essential to national survival';³ the same perception also set the terms by which the debates about empire in India were conducted.

Initial responses from the British government were restricted to regulating the Company's dividend, reforming the Court of Proprietors and obtaining a share of the revenue. The Company in London attempted to obtain powers from the government by which it could manage its altered affairs in Bengal, but it was frustrated by the government's lack of support. Bowen argues that until 1772, the administrations of Chatham, Grafton and North 'were not prepared to involve themselves in any reassessment of the nature and purpose of British activity on the Indian subcontinent' — their interest was in finding sources of finance for government.⁴ By 1772, the British government was forced to reconsider whether the Company remained the most suitable agency for the administration of the acquired territories and the management of its revenues.⁵ This was a realisation that had dawned earlier upon individuals like Robert Clive, Nathaniel Smith and the author of the publication, *True Alarm*. The title of the latter is especially revealing because also published in the same year as the *True Alarm* (1770), was *The False Alarm*, which argued that the recent public furore surrounding the expulsion of John Wilkes as MP for Middlesex, did not constitute a national crisis.⁶ The *True Alarm*, by contrast, in choosing that title, was suggesting that Indian affairs were worthy of public agitation — were a matter of national concern and were the issues that should occupy the public's imagination.

This may have been a relatively lonely cry in 1770, but just two years later it had been joined by many others, most noticeably those of William Bolts and Alexander Dow.⁷ In addition, the profile of the Company's affairs was also raised by the publications of the House of Commons Select Committee's reports. This dissertation has utilised the arguments advanced in

³ Marshall, 'Introduction', in *Free Though Conquering*, p. x.

⁴ Bowen, *Revenue*, p. 188.

⁵ However strong arguments were put forward against the expediency of the government assuming direct territorial control of Bengal, see the points made in 'Considerations on East India Affairs', in BL, Add. MSS 38398, fols 107^r–117^r. See esp. fol. 109^r, where it was argued that 'the Errors which must be committed in the management of such acquisitions, at so great a distance from the seat of Government had better fall upon the Directors of the Company, than fall directly upon the Ministers of the King'. This piece, according to internal evidence, was written after North's Act, but nevertheless the arguments advanced here are still relevant for the debates that took place in 1773.

⁶ [Johnson], *False Alarm*, p. 53.

⁷ Compare the number publications for the year 1772 with 1770 in the appendix.

contemporary pamphlets and books in order to recover the ways in which empire in India was theorised. This source material gives the historian access to far greater information regarding the ideas of the actors because the genres enabled the writers to present their arguments systematically and at length. The pamphlets were most usually written in response to particular events or to the formulation of controversial policies whether by parliament or the directors; for example, in 1769 much of the literature was concerned with the issue of supervisors. Consequently the writings do have a circumstantial character, but individuals such as George Johnstone and Alexander Dalrymple used the occasion provided by the current controversy to air their beliefs regarding the respective rights and responsibilities of the Company and government to the acquisitions. In 1772 and 1773 however, the topic of controversy was reform of East Indian affairs and the publications in these years therefore engaged more comprehensively with how empire in the east was to be managed.

Amongst the range of arguments that were advanced throughout this period, none of them advocated renouncing territorial responsibilities in India. This is not to suggest that empire in India was universally accepted by all sections of British society; on the contrary, Marshall has pointed out that its acceptance and rejection can be divided along generational lines, with older Whigs adamantly opposed to any empire in the east.⁸ Yet forgoing the territorial acquisitions was no longer a viable policy option as both critics and supporters of the Company pointed out: 'let us relinquish our possessions whenever we will', argued Nathaniel Smith, 'other Europeans are in readiness to lay hold upon whatever we leave'.⁹ With this inescapable fact in mind — the fact that if Britain did not secure the possessions other European nations (most notably France) would, thereby undermining Britain's position of relative strength — would-be reformers set out principles and plans by which they believed Britain could safely administer an empire in the subcontinent. At first, arguments centred on the issue of property rights: the question of whether the territorial revenues belonged to the state or the Company was bitterly contested in 1767, 1769 and 1773. Ultimately the question of 'right' remained undecided in this period,¹⁰ but the

⁸ Marshall, 'Free Though Conquering', p. 9.

⁹ [Smith], *Observations*, p. 5. Also, in [Smith], *General Remarks*, p. 59, it was argued: 'whilst we continue to exist, we must follow the current which impels us, we must make the best advantage of whatever is in our grasp, and that is all human wisdom can do for the benefit of any state'.

¹⁰ Bowen, *Revenue*, pp. 170–71.

controversy raised wider constitutional problems, which were problems of empire, that theorists were forced to confront.

The challenges that empire in India posed to British politics were the potential impact of newly-acquired wealth on the balance of the British constitution if it was invested in the state, and the legitimacy of British officials' exercising despotic authority in India. The plans of reform that were developed by thinkers from diverse backgrounds attempted to find ways of governing Bengal that did not rely on absolute power or threaten the balance of the constitution. In so doing they implicitly, and in some instances explicitly, made use of the legacy of Montesquieu's *Spirit of the Laws* and the characteristically Enlightenment belief that politics could be reduced to a science. George Johnstone, Nathaniel Smith and the writers of the *Present State, Plan for the Government* and the *True Alarm* sought to bring an end to the mercantile despotism of the Company's government of Bengal by making use of the concept of checks and balances. They wanted to assign different functions to separate bodies, which would keep each other in check; place deliberate impediments and delays in the process of decision making and they envisaged a system that would regulate itself without the need of discretionary power or an excess of virtue. Such systems were meant to prevent British officials misusing power and as a consequence would provide both Indians and Britons resident in the subcontinent protection from arbitrary power.¹¹

The reports of the proceedings in Parliament give tantalising glimpses of the broad terms in which the debates regarding the government of Bengal and imperial rule of India were conducted. For instance, Johnstone argued through the course of the debate on the East India Judicature Bill that the evils in Bengal were the result of 'radical defects in the system' Clive 'had established'.¹² Burgoyne in 1772 referred to the Company as 'trustees' for the state that had to

¹¹ Significantly, Francis, Clavering and Monson (members of the Fort-William Council), later argued against a system of government for India that relied on a separation of powers; they contended that 'the natives of Asia in general, and Bengal in particular, form their conception of the strength and Dignity of a Government, from its Unity, by which they accordingly measure their obedience; and that to minds such as theirs, incapable of judging of the Refinement of our Political Institutions, the view of separate independent powers in the same state, can suggest no idea, but that of Division, weakness and confusion' ('Francis, Clavering and Monson to the Earl of Rochford' (3 Aug 1775), OIOC, MSS Eur. E13/B, fols 232^v-233^r).

¹² *Parliamentary History*, 17, p. 379.

work for its interest.¹³ William Meredith argued that 'comparisons of other tyrannies give no idea of English tyranny in Bengal': 'never did such a system exist as that where mercantile avarice was the only principle, force the only means of carrying on a government'.¹⁴ From the pamphlet literature it is possible to understand a great deal more of the principles that underpinned formulations such as these. What impact they had on the decision makers cannot be estimated with any degree of certainty. North's Act lacked the comprehensive vision embodied in some of the plans analysed in this dissertation, yet nevertheless North did address some of the fundamental problems that had been identified with the Company's organisation both in London and in India. The fact that the legislation was inadequate quickly became apparent; however one area that North's reforms did not tackle was the economic or commercial aspect of Britain's relationship with Bengal. As Bowen points out, no attention was given by the policy makers regarding how Bengal's economy could be regenerated.¹⁵

This was of course not true of Company officials, like Verelst, and the plans that were put forward for instance by Smith, Keir, Dow and the *True Alarm*. They all turned their attention to how Bengal's economy could recover its former vitality. Steuart's plan, while its principal brief was the specie problem in Bengal, also engaged with that debate. He suggested ways in which the drain of currency from the acquisitions could be prevented and compensated. He argued that Bengal's trade with other parts of Asia had to be encouraged, while other Europeans were to be allowed to trade after the Company had finished making its investments. He advocated the use of paper money and credit to increase the amount of money in circulation, and pointed out ways in which the velocity of the circulating currency could be increased. What was especially interesting about the plan Steuart put forward was his suggestion that the interest of a dependency was not necessarily inimical to that of the metropolis — Bengal's interest was not inimical to Britain's:

But now that this very country is in a manner our own, if we wish long to draw advantage from it, we must endeavour to indemnify it for the gratuitous exportation of the many manufactures which we formerly brought with silver...instead therefore of furnishing them with articles of European luxury, which we have enumerated as one article of drain to their treasure, we ought to fall on every expedient to procure for them articles of raw productions...ought to encourage every branch of trade between them

¹³ Ibid., p. 457.

¹⁴ Ibid., p. 858.

¹⁵ Bowen, *Revenue*, p. 189.

and the Indian nations; and we ought to protect the industrious inhabitants from the rapine and extortions of their Indians as well as their European lords.¹⁶

Britain and Bengal's relationship was no longer that of two trading nations where one would inevitably gain at the expense of the other. Rather, Bengal was now 'in a manner our own' — her prosperity could only increase Britain's own.

Central to all the plans considered was a preoccupation with the manners of the people, because it was widely accepted that any proposed method of administering Bengal had to conform to the spirit of the Indians if it was to be successful. Consequently, systems of government, programmes of reform or plans of political economy were organised around an understanding of human motivation, which were derived from the ideas systematically formulated by Enlightenment theorists including Mandeville, Montesquieu, Hume and Adam Smith. Inevitably, publicists who made use of this wider body of thought distorted the general claims of the original thinkers. Specifically, many publicists argued that due to the physical and moral environment which the Indians had come to live under, they could only be governed by an absolute system of rule. What such publicists failed to appreciate was that in Enlightenment accounts of human diversity, such as that put forward in the conjectural history of Smith, it was held that an alteration of the conditions under which people existed would give rise to a different set of manners and form of government.

Conjectural history was the attempt to provide a scientific account for the predictable variation of human societies. Enlightenment thinkers stressed different factors (such as climate, divine will and mode of subsistence) in order to explain the causes of human diversity. In Adam Smith's account, differences in social and political organisations between different sets of people in the world were explained with reference to the prevailing means of subsistence. Smith suggested that as people advanced from a stage where they lived off the natural occurring produce of the land, to one where they lived by farming, so too did the political arrangements under which they lived, predictably vary. By such reasoning, the Indians were not inherently incapable of political

¹⁶ Steuart, *Principles of Money*, p. 70.

liberty, but only currently living under conditions that made its realisation impossible.¹⁷ Not all publicists believed that the Asians were precluded from enjoying political liberty because of their nature, but such individuals also recognised that liberty and foreign rule were incompatible; Dalrymple argued that the British would expel themselves from India by 'making the Indians free', because as a free people they would not submit to foreign rule.¹⁸ However, it is Steuart's work that makes it possible to investigate further the implications of conjectural history for the reform of Bengal by the existence of his main treatise which was organised on the assumptions of this type of inquiry.

Steuart's report for the East India Company did not systematically apply the principles which informed his *Inquiry*, but he clearly would not have endorsed any plan for the reform of Bengal which did not adhere to those principles. The benefit of Bengal for Britain, as the range of publicists in common with Steuart agreed, lay in its commercial prosperity. Yet, any plan calculated to promote Bengal's welfare could only be of benefit if it could be implemented. Steuart argued that his reforms would be realised because they appealed to the universal passion of men — their self-interest. In his main treatise, Steuart contended that as men could be made to act in different ways by engaging their self-interest, the question that a ruler needed to consider was 'what will mankind find it in their interest to do, under such and such circumstances?'¹⁹ It was this same question that Steuart applied to the context of Bengal, and as a result, produced a set of reforms which created circumstances (as he believed) that directed the self-interest of both the Company and the Indians to promote the common good. Steuart accepted that the object of a people's interest was determined by the 'received opinions' which had come to regulate their manners, religion and politics over time (in sum, the spirit),²⁰ but this spirit was malleable. A successful statesman, according to Steuart, could make 'every circumstance concur in promoting

¹⁷ This was an insight that was grasped in Anon., *The Origin and Progress of Despotism in the Oriental and Other Empires of Africa, Europe and America* (Amsterdam, 1764). Its author argued that if the principles according to which people lived were changed, 'then we may rest assured, that, independent of any virtue or of any influence of the climate, we should, in consequence, see liberty in Asia; reason in America, and slavery in Europe' (pp. 9–10).

¹⁸ [Dalrymple], *Considerations*, p. 21. See also [Smith], *General Remarks*, p. 68; Anon., *Present State*, p. 47.

¹⁹ Steuart, *Inquiry*, p. 142.

²⁰ Steuart, *Inquiry*, p. 22.

the execution of the plan he has laid down'²¹ — the 'progress' of a society was not restricted by the spirit of the people. However, the statesman's plan would give rise to consequences that he had not intended, such as changes in the patterns of authority and subordination in society, but this was an integral part of the process which occurred as a people progressed from one stage to another. What this specifically meant for Bengal was that her relationship with Britain could not indefinitely continue in the same vein, but with proper management it did not necessarily have to be lost.²²

The Company's government of Bengal had shown the consequences that followed when the interest of the ruler did not correlate with the interest of his people. In such circumstances, the entire country was devastated by the ruler in order to satisfy his wants — he, like the savages of Louisiana described by Montesquieu, chopped down the tree in order to obtain its fruits.²³ Such a state of affairs destroyed the very rationale of territorial empire; the Company had obtained political power in 1765 for the same reason it had, earlier in the century, sought trading privileges and fortified its settlements: in order to provide security for its trade. Company rule however was destroying the very foundations of that trade. This was ultimately the problem that thinkers who engaged with the Company's affairs set out to address — it was the problem that Steuart attempted to solve by appealing to the selfish passions of the Company servants and Indians so that 'their several interests' led 'them to supply one another with their reciprocal wants'.²⁴ Events after 1773 would prove that the question of how to conduct imperial affairs on the sub-continent was by no means resolved in this period, but Bengal had become an accepted and indispensable part of Britain's empire. Fears regarding the consequences of territorial expansion were not forgotten, but thinkers and politicians had demonstrated a belief in Britain's ability to overcome them.

²¹ Steuart, *Inquiry*, p. 238.

²² [Smith], *General Remarks*, p. 122, conjectured: 'time indeed may overthrow and destroy the state; and with the best concerted plan of government it may sink again under tyranny and oppression; and we perhaps be obliged to abandon the country; or else verging up towards freedom under the conduct of some future Clive, it may become an independent kingdom, and the west give a race of monarchs to the empire of Hindostan'.

²³ Montesquieu, *Spirit*, p. 59.

²⁴ Steuart, *Inquiry*, p. 17.

Appendix

1767

Anon., *An Address to the Publick on the Subject of the East India Dividend* (London 1767)

Anon., *An Attempt to pay off the National Debt, by Abolishing the East India Company of Merchants, and all other Monopolies with other Interesting Measures* (London, 1767)

Anon., *A Caution to the Directors of the East-India Company with Regard to their Making the Midsummer Dividend of Five per cent. Without Due Attention to a Late Act of Parliament, and a By-Law of their Own* (London, 1767)

Anon., *The Conduct of the East-India Company, with Respect to their Wars etc.* (London, 1767)

Anon., *A Defence of Mr Sullivan's Propositions with an Answer to the Objections Against them; in a Letter to the Proprietors of East India Stock* (London: 1767)

Anon., *A Letter to the Proprietor of India Stock Relative to the Critical Situation of their Affairs* (London, 1767), BL, OIOC Tract vol. 133

Anon., *A Protest against Rescinding the East India Dividend Voted by a General Court on 6th May 1767 and Confirmed by Three Several General Courts held Afterwards* (London, 1767)

Anon., *State of East India Company's Affairs with a View to the Intended Bill for Regulating the Dividend* (London, 1767) BL, OIOC Tract vol. 133

Gee, Joshua, *The Trade and Navigation of Great-Britain Considered: Shewing that the Surest way for a Nation to increase in Riches, is to prevent the Importation of such Foreign Commodities as may be Raised at Home* (London, 1767)

Holwell, J. Z., *Interesting Historical Events, Relative to the Provinces of Bengal, and the Empire of Indostan* (London, 1767)

Holwell, J. Z., *An East India Observer Extraordinary: Containing an Address to the author of a Letter to Henry Vansittart, esq. in the East India Observer no. VI* (London, 1767)

Untainted Englishman, *The Absolute Necessity of Laying Open the Trade to the East Indies* (London, 1767)

Untainted Englishman, *An Address to the Public, Concerning the Business Between the Government and the East-India Company Proving that the Government has no just Demand on the Company, Either for Protection Granted, or for Territorial Acquisitions* (London, 1767), BL, OIOC Tract vol. 133

1768

Anon., *East-India Oppression; or the Unparallel'd Case of Capt. Richard Black, who after Fourteen Years Irreproachable Service,...after being Dismiss'd from the East-India*

Company's Service...without a Court Martial, for only Signing an Address with all the other Officers, to have their Half Batta Restored;...his Letters, Memorials, etc. (London, 1768)

Anon., An Infallible Remedy for the high Prices of Provisions: Together with a Scheme for laying Open the Trade to the East-Indies; with an address to the Electors of Great-Britain (London, 1768)

Anon., State of the East India Company's Affairs with a View to the Intended Bill for Regulating the Dividend, December 1767 (London, 1768) BL, OIOC Tract vol. 133

Dalrymple, Alexander, An Account of what has Passed Between the India Directors and Alexander Dalrymple: Intended as an Introduction to a Plan for Extending the Commerce of this Kingdom, and of the Company, in the East Indies, by an Establishment at Balambangan (London, 1768)

Johnstone, George, Speech of Mr George Johnstone in the General Court of Proprietors of East-India Stock upon the Subject of the Restitution for Private Losses, in the War against Cossim Ali Cawn (Edinburgh, 1768)

Y. Z., A Seasonable Letter on the Late Treaty with Nizam Allee Kawn, and the Commotions in Consequence of it, on the Coast of Coromandel Addressed to the Serious Considerations of the Present Directors of the East-India Company and the Proprietors of India-Stock (London, 1768)

1769

Anon., An Address to the Proprietors of India Stock Shewing from the Political State of Indostan the Necessity of Sending Commissioners to Regulate and Direct their Affairs Abroad and Likewise the Expediency of Joining a Servant of the Government in the Commission (London, 1769), BL, OIOC Tract vol. 133

Anon., A letter to the Proprietors of East-India Stock Containing a Brief Relation of the Negotiations with Government, from the Year 1767 to the Present Time; Respecting the Company's Acquisitions in India. Together with Some Considerations on the Principal Plans for Adjusting the Matters in Dispute, which have been Discussed in the General Court of Proprietors (London 1769), BL, OIOC Tract vol. 50

Anon., Reflections on the Present State of the East India Trade; and Proposals to Render it of more General Benefit to the British nation without Changing the Present System (Edinburgh, 1769), BL, OIOC Tract vol. 133

C. D., A Letter to the Proprietors of East-India Stock: Relative to some Propositions Intended to be Moved at the next General Court, on Wednesday the 12th July (London, 1769)

Dalrymple, A, A Letter to the Court of Directors for Affairs of the United Company of Merchants of England trading to the East Indies Concerning the Proposed Supervisorship (London, 1769)

Dalrymple, A., A Second Letter Concerning the Proposed Supervisorship (London, 1769), BL, OIOC Tract vol. 424

[Dalrymple, A.], *Vox Populi Vox Dei: Lord Weymouth's Appeal to a General Court of Indian Proprietors Considered* (London, 1769)

Independent Proprietor [Johnstone, George(?)/George Dempster(?)], *A Letter to the Proprietors of East India Stock* (London: 1769), BL, OIOC Tract vol. 378

Proprietor, *A Letter to a Late Popular Director Relative to India affairs and the Present Contests* (London 1769)

Proprietor of India Stock, *A Letter from a Proprietor of India Stock, in Town to a Proprietor in the Country* (London, 1769)

Steady Proprietor, *A Letter to the Proprietors of India Stock Containing a Reply to some Insinuations in an Old Proprietor's Letter to the Proprietors in the 13th instant, Relative to the Ballot of the Day* (London: 1769), OIOC Tract vol. 133

1770

Anon., *An Essay on the East-India Trade and its Importance to this Kingdom with a Comparative View of the Dutch, French and English East-India Companies and the Privileges and Support that have been Granted to each, by its Respective State; also the Rights of the East-India Company to the Revenues they are Possessed of in India Impartially Considered* (London, 1770), BL, OIOC Tract vol. 133

Anon., *The Importance of the British Dominion in India Compared with that in America* (London, 1770)

Anon., *The True Alarm* (London, 1770)

EIC, *Agreement Between the East-India Company and the Right Honourable Lord Clive, respecting the Military fund dated April 6, 1770* [London (?), 1770(?)]

EIC, *General Regulations for Transacting the Business of the Military Fund* [London (?), 1770(?)]

Scrafton, Luke, *Reflections on the Government of Indostan* (London, 1770), BL, OIOC Tract vol. 61

1771

Anon., *Authentic Papers Concerning India Affairs which have been under the Inspection of a Great Assembly* (London, 1771), BL, OIOC Tract vol. 202

Anon., *Considerations on the Policy, Commerce and Circumstances of the Kingdom* (London, 1771)

Anon., *The National Mirror Being a Series of Essays on the Most Important Concerns but Particularly Those of the East-India Company* (London, 1771)

Dalrymple, Alexander, *A Plan for Extending the Commerce of this Kingdom, and of the East-India Company* (London, 1771)

[Johnstone, George], *Thoughts on our Acquisitions in the East Indies Particularly Respecting Bengal* (London, 1771), BL, OIOC Tract vol. 107

[Smith, Nathaniel], *Observations on the Present State of the East-India Company* (London, 1771), BL, OIOC Tract vol. 128

1772

Anon., *An Enquiry into the Rights of the East-India Company of Making War and Peace; and of Possessing their Territorial Acquisitions without Participation or Inspection of the British Government: in a Letter to the Proprietors of East-India Stock Written in the Year 1769 and Now First Published* (London, 1772)

Anon., *A Letter to the Right Honourable Lord North on the East-India Bill now Depending in Parliament* (London, 1772)

Anon., *The Origin and Cause of the Continuance of the Disorders in our East India Affairs, and the Means of Restoring them* (London 1772)

Anon., *A Plan for the Government of Bengal and for the Protection of the other British Settlements in the East Indies in a Letter to the Right Honourable Lord North First Lord of the Treasury etc. to which is Added the Speech of an East India Proprietor upon the Extraordinary Commission for Regulating the Company's Affairs Abroad* (London, 1772), BL, OIOC Tract vol. 107

Anon., *A Plan for the Government of the Provinces of Bengal Addressed to the Directors of the East India Company* (London, 1772), BL, OIOC Tract vol. 381

Bengal Governor and Council, *Extract of a Letter from the Governor and council at Fort William, to the Court of Directors, dated 3rd November, 1772, Transmitting a letter from the Committee of Circuit, at Cossimbuzar, and a Plan, framed by that Committee, for the Administration of Justice, in Bengal* [London(?) 1772(?)]

Bolts, William, *Considerations on India Affairs Particularly respecting the Present State of Bengal Dependencies with a Map of those Countries Chiefly from Actual Surveys* (London 1772); repr. in *The East India Company 1600-1858*, 6 vols, ed. Patrick Tuck, III (London: Routledge, 1999)

Clive, Robert, *Lord Clive's Speech in the House of Commons, on the Motion Made for an Inquiry into the Nature, State, and Condition, of the East India Company, and the British Affairs in the East Indies, in the Fifth Session of the Present Parliament* (1772)

Dalrymple, Alexander, *Memoir of a Chart of the Bay of Bengal, published at the Expense of the East-India Company* (London, 1772)

[Dalrymple, Alexander], *A General View of the East-India Company, written in January, 1769 To which is Added some Observations on the Present State of their Affairs* (London, 1772), BL, OIOC Tract vol. 202

[Dalrymple, Alexander], *Considerations on a Pamphlet Entitled "Thoughts on our Acquisitions in the East-Indies Particularly Respecting Bengal* (London, 1772), BL, OIOC Tract vol. 424

Dow, Alexander, *The History of Hindostan: from the Death of Akbar to the Settlement of the Empire under Aurungzebe. To which are Prefixed I. A Dissertation on the Origin and Nature of Despotism in Hindostan II. An Enquiry into the State of Bengal; with a Plan for Restoring that Kingdom to its Former Prosperity and Splendour*, 3 vols (London, 1770–72)

Friend to Fair Discussion, *A Letter to the Proprietors of East-India Stock on the Subject of sending Supervisors with Extraordinary Powers to India* (London, 1772)

Keir, Archibald, *Thoughts on the Affairs of Bengal* (London, 1772)

Old Proprietor, and Former Servant of the East India Company, *A Letter to Sir George Colebrooke, Bart. on the Subjects of supervision and dividend* (London, 1772)

Pattullo, Henry, *An Essay upon the Cultivation of the Lands, and Improvements of the Revenues of Bengal* (London, 1772)

[Smith, Nathaniel], *The Measures to be Pursued in India* (London, 1772), BL, OIOC Tract vol. 128 (London, 1772)

Steuart, James, *The Principles of Money Applied to the State of the Coin of Bengal: Being an Inquiry into the Methods to be used for Correcting the Defects of the Present Currency; for Stopping the Drains Which Carry off the Coin; and for Extending Circulation by the Means of Paper Credit* (London, 1772)

Sullivan, Laurence, *Mr. Sullivan's Plan* (London, 1772)

Verelst, Harry *A View of the Rise and Progress and the Present State of the English Government in Bengal* (1772), in *The East India Company 1600-1858*, 6 vols, ed. Patrick Tuck, III (London: Routledge, 1999)

White, George, *Considerations on the Trade to the East-Indies. Together with the State of the Present Company, and the Best Method for Establishing and Managing that Trade to the Honour and Advantage of the Nation. Written by Mr. George White, of London, Merchant in the Year 1691* (London, 1772)

Young, Arthur, *Political Essays Concerning the Present State of the British Empire; Particularly Respecting I. Natural Advantages and Disadvantages II. Constitution III. Agriculture IV. Manufactures V. The Colonies and VI. Commerce* (London, 1772)

1773

Anon., *A Letter to the Committee of Twenty-Five Proprietors of India Stock* (London, 1773)

Anon., *The Opinions of Mr. James Eyre, Mr. Edmund Hoskins, Mr. E. Thurlow, and Mr. John Dunning, on the Subject of Lord Clive's Jaghire to which are added, his Lordships Letter to the Proprietors of East-India Stock with the Answer of an Eminent Councillor to his Lordship's Letter Likewise Addressed to the Proprietors on the Same Subject* (London, 1773)

Anon., *The Present State of the British Interest in India with a Plan for Establishing a Regular System in that Country* (London, 1773), BL, OIOC Tract vol. 215

Anon., *A Second Letter to the Committee of Twenty-Five Proprietors of India Stock* (London, 1773), BL, OIOC Tract vol. 50

A. B., *A Letter to the Right Honourable Lord North etc. on the Present Proceedings Concerning the East-India House* (London, 1773)

[Dalrymple, Alexander], *The Rights of the East-India Company* (London, 1773), BL, OIOC Tract vol. 50

EIC, *Report from the Committee of Proprietors, appointed on the 1st of December, 1772, by the General Court of the United East-India Company, to enquire into the Present state and Condition of the Company's affairs* [London(?)] (1773)

EIC, *The Present State of the English East-India Company's Affairs, Comprehending the Accounts Delivered in the Court of Directors to the Treasury, which were Laid before the Committee of Secrecy, Appointed to Enquire into East-India Affairs; Drawn up by Mr. Hoole Auditor of Indian Accounts, and others Together with Plans Proposed by the Different Directors for the Reestablishment of the Company's Affairs, and Several other Accounts Equally Important and Interesting* (London, 1773)

Officer who was present at the battle of Plassey, *The East India Culprits: A Poem in Imitation of Swift's 'Legion Club'* (London, 1773)

Pownall, Thomas, *The Right, Interest, and Duty of Government as Concerned in the Affairs of the East Indies* (London, 1773)

Scaevola, *To the Commissioners Appointed by the East-India Company, for the Sale of Tea, in India* [London (?)] (1773)

[Smith, Nathaniel], *General Remarks on the System of Government in India with Further Considerations on the Present State of the Company at Home and Abroad* (London, 1773), BL, OIOC Tract vol. 128

Bibliography

Primary Sources

I. Manuscripts

British Library

Egerton MSS 218, 249, 250 (Parliamentary Diary of Henry Cavendish)
Additional MSS 38398 (Liverpool Papers)

British Library, Oriental and India Office Collections

European Manuscripts

MSS Eur. E12, E13, E15, E16 (Francis Collection)
MSS Eur. F218 (Verelst Collection)

India Office Records

H/62, 125 (Home Miscellaneous Series)

II. Printed Sources

East India Company Records and Official and Parliamentary Sources

Desika Char, S. V., ed., *Readings in the Constitutional History of India 1757-1947*, (Delhi: Oxford University Press, 1983)

Fort William-India House Correspondence and Other Contemporary Papers Relating Thereto, 21 vols (New Delhi: Controller of Publications, Government of India for the National Archives of India, 1958–69)

Hill, S. C., ed., *Indian Records Series: Bengal in 1756-1757*, 3 vols (London: John Murray, 1905)

Parliamentary History of England from the Earliest Period to the year 1803, vol. 17, 1771–1774 (London: C. Hansard, 1813)

Reports from the Committees of the House of Commons, 12 vols (1803–6)

Primary Serials

Annual Register: or a View of the History, Politics, and Literature of the Year, 104 vols (London, 1795–1863)

The Spectator, ed. Donald F. Bond, 5 vols (Oxford: Clarendon Press, 1965)

The East India Examiner Reprinted from the Original Papers of that Periodical Publication (London, 1766)

Reference

Oxford Dictionary of National Biography, ed. H. C. G. Matthew and Brian Harrison (Oxford: Oxford University Press, 2004) <<http://www.oxforddnb.com>>

Anthony Farrington, *A Biographical Index of East India Company Maritime Service Officers 1600–1834* (London, 1999)

Printed Works

A. B., *A Letter to the Right Honourable Lord North etc. on the Present Proceedings Concerning the East-India House* (London, 1773)

Anon., *An Address to the Proprietors of India Stock Shewing from the Political State of Indostan the Necessity of Sending Commissioners to Regulate and Direct their Affairs Abroad and Likewise the Expediency of Joining a Servant of the Government in the Commission* (London, 1769), BL, OIOC Tract vol. 133

Anon., *An Address to the Proprietors of East-India Stock Upon the Important Points to be Discussed at the Next Meeting of the General Court, to be held on Monday 12th Inst. at the South-Sea House* (London, 1764)

Anon., *The Argument of Lord Chief Justice of the Court of King's Bench Concerning the Great Case of Monopolies Between the East-India Company, Plaintiff, and Thomas Sandys, Defendant Wherein their Patent for Trading to the East Indies, Exclusive of all Others is adjudged Good* (London, 1689), BL, OIOC Tract vol. 409

Anon., *Authentic Papers Concerning India Affairs which have been under the Inspection of a Great Assembly* (London, 1771), BL, OIOC Tract vol. 202

Anon., *A Collection of Letters Relating to the East India Company and to a Free Trade* (London, 1754), BL, OIOC Tract vol. 83

Anon., *A Collection of Papers Relating to the East-India Trade: Wherein are Shewn the Disadvantages to a Nation, by Consigning any Trade to a Corporation with a Joint-Stock* (London, 1730), BL, OIOC Tract vol. 83

Anon., *A Complete History of the War in India from the Year 1749 to the Taking of Pondicherry in 1761* (London, 1761), BL, OIOC Tract vol. 61

Anon., *The Conduct of the East-India Company* (London, 1774), BL, OIOC Tract vol. 50

Anon., *Debates in the Asiatic Assembly* (London, 1767)

Anon., *The East-India Trade a Most Profitable Trade to the Kingdom and best Secured and Improved in a Company and a Joint-Stock Represented in a Letter Written upon the Occasion of Two Letters Lately Published, Insinuating the Contrary* (London, 1677)

Anon., *An Enquiry into the Rights of the East-India Company of Making War and Peace; and of Possessing their Territorial Acquisitions without Participation or Inspection of the British Government: in a Letter to the Proprietors of East-India Stock Written in the Year 1769 and Now First Published* (London, 1772)

Anon., *An Essay on the East-India Trade and its Importance to this Kingdom with a Comparative View of the Dutch, French and English East-India Companies and the Privileges and Support that have been Granted to each, by its Respective State; also the Rights of the East-India Company to the Revenues they are Possessed of in India Impartially Considered* (London, 1770), BL, OIOC Tract vol. 133

Anon., *An Essay on the Rights of the East-India Company to the Perpetuity of their Trade, Possessions and Revenues in India* (London, 1776), BL, OIOC Tract Vol. 174

Anon., *The Importance of the British Dominion in India Compared with that in America* (London, 1770)

Anon., *A Letter to a Friend Concerning the East-India Trade* (London, 1696)

- Anon., *A Letter to a Late Popular Director Relative to India affairs and the Present Contests* (London 1769)
- Anon., *A Letter to a Proprietor of the East-India Company* (London, 1750), BL, OIOC Tract vol. 83
- Anon., *A Letter to the Proprietors of India Stock Relative to the Critical Situation of their Affairs* (London, 1767), BL, OIOC Tract vol. 133
- Anon., *A Narrative of the Transactions of the British Squadrons in the East-Indies During the Late War* (London 1751), BL, OIOC Tract Vol. 487
- Anon., *The Origin and Cause of the Continuance of the Disorders in our East India Affairs, and the Means of Restoring them* (London, 1772)
- Anon., *The Origin and Progress of Despotism in the Oriental and other Empires of Africa, Europe and America* (Amsterdam, 1764)
- Anon., *A Plan for the Government of Bengal and for the Protection of the other British Settlements in the East Indies in a Letter to the Right Honourable Lord North First Lord of the Treasury etc. to which is added the Speech of an East India Proprietor upon the Extraordinary Commission for Regulating the Company's Affairs Abroad* (London, 1772), BL, OIOC Tract vol. 107
- Anon., *A Plan for the Government of the Provinces of Bengal Addressed to the Directors of the East India Company* (London, 1772), BL, OIOC Tract vol. 381
- Anon., *The Present State of the British Interest in India with a Plan for Establishing a Regular System in that Country* (London, 1773), BL, OIOC Tract vol. 215
- Anon., *Proposals for Settling the East India Trade* (London, 1696)
- Anon., *To the Proprietors of East India Stock Relative to the Nabob Meer Jaffier's Restitution for Losses in 1763 by the Sufferers* (n. d.), BL, OIOC Tract vol. 202
- Anon., *Reflections on the Present State of our East-India Affairs with Many Interesting Anecdotes Never Before Made Public* (London, 1764)
- Anon., *Some Considerations on the Nature and Importance of the East-India Trade* (London, 1728), BL, OIOC Tract vol. 64
- Anon., *Some Material and Very Important Remarks Concerning the Present Situation of Affairs Between Great Britain, France and Spain in Regard to their East and West India Settlements etc.* (London, 1755), BL, OIOC Tract vol. 487
- Anon., *State of the East India Company's Affairs with a View to the Intended Bill for Regulating the Dividend* (London, 1767)
- Anon., *A Treatise Touching the East-Indian Trade: or a Discourse (Turned out of French into English) Concerning the Establishment of a French Company for the Commerce of the East-Indies* (London, 1664)
- Anon., *The True Alarm* (1770)
- A. Z., *Some Thoughts Relating to Trade in General, and the East India Trade in Particular* (London, 1754), BL, OIOC Tract vol. 487
- Blackstone, William, *Commentaries on the Laws of England*, 4 vols (Oxford, 1765–69)
- Bolts, William, *Considerations on India Affairs Particularly respecting the Present State of Bengal Dependencies with a Map of those Countries Chiefly from Actual Surveys* (London 1772); repr. in *The East India Company 1600-1858*, vol. III, ed. Patrick Tuck (London: Routledge, 1999)
- Brown, John, *An Estimate of the Manners and Principles of the Times* (London, 1757)

Bruce, John, *Historical View of Plans for the Government of British India and Regulation of Trade to the East Indies and Outlines of a Plan of Foreign Government, of Commercial Oeconomy, and of Domestic Administration, for the Asiatic Interest of Great Britain* (London, 1793)

The Correspondence of Edmund Burke, 10 vols. ed. T. W. Copeland et. al., (Cambridge: Cambridge University Press, 1958-78)

Burke, Edmund, *The Writings and Speeches of Edmund Burke*, ed. Paul Langford (Oxford: Clarendon Press, 1981-)

C. D., *A Letter to the Proprietors of East-India Stock: Relative to some Propositions Intended to be Moved at the next General Court, on Wednesday the 12th July* (London, 1769)

[Caillaud, John], *A Narrative of What Happened in Bengal in the Year 1760* [n. d.], BL, OIOC Tract vol. 220

John Cary, *A Discourse Concerning the East-India Trade, Shewing How Unprofitable to the Kingdom of England Being Taken Out of an Essay on Trade* (London, 1699)

Child, Sir Josiah, *A Treatise Wherein is Demonstrated that the East-India Trade is the Most National of all Foreign Trades* (London 1681)

Clive, Robert, *Lord Clive's Speech in the House of Commons, on the Motion Made for an Inquiry into the Nature, State, and Condition, of the East India Company, and the British Affairs in the East Indies, in the Fifth Session of the Present Parliament* (London, 1772)

Dalrymple, Alexander, *A Letter to the Court of Directors for Affairs of the United Company of Merchants of England trading to the East Indies Concerning the Proposed Supervisorship* (London, 1769)

Dalrymple, Alexander, *A Second Letter Concerning the Proposed Supervisorship* (London, 1769), BL, OIOC Tract vol. 424

[Dalrymple, Alexander], *Vox Populi Vox Dei: Lord Weymouth's Appeal to a General Court of Indian Proprietors Considered* (London, 1769)

[Dalrymple, Alexander], *Considerations on a Pamphlet entitled "Thoughts on our Acquisitions in the East-Indies, Particularly Respecting Bengal"* (London, 1772)

[Dalrymple, Alexander], *A General View of the East-India Company, written in January, 1769 To which is Added some Observations on the Present State of their Affairs* (London, 1772), BL, OIOC Tract vol. 202

Davenant, Charles, *An Essay on the East-India Trade by the Author of the Essay Upon Wayes and Means* (London 1696), BL, OIOC Tract vol. 83

[Defoe, Daniel], *The Trade to India Critically and Calmly Consider'd and Prov'd to be Destructive to the General Trade of Great Britain as well as to the Woollen and Silk Manufactures in Particular* (London, 1720)

[Defoe, Daniel], *The Advantages of Peace and Commerce with Some Remarks on the East-India Trade* (London, 1729)

Dow, Alexander, *The History of Hindostan: from the Death of Akbar to the Settlement of the Empire under Aurungzebe. To which are Prefixed I. A Dissertation on the Origin and Nature of Despotism in Hindostan II. An Enquiry into the State of Bengal; with a Plan for Restoring that Kingdom to its Former Prosperity and Splendour*, 3 vols (London, 1770-72; repr. New Delhi: Today & Tomorrow Press, 1973)

Ferguson, Adam, *An Essay on the History of Civil Society* (1767), ed. Duncan Forbes, (Edinburgh: Edinburgh University Press, 1966)

- Forman, Charles, *Some Queries and Observations Upon the Revolution in 1688 and its Consequences: Also a Short View of the Rise and Progress of the Dutch East India Company; with Critical Remarks in a Letter from Paris to Rt. Hon. Sir Robert Walpole* (London, 1741), BL, OIOC Tract vol. 487
- Friend to Fair Discussion, *A Letter to the Proprietors of East-India Stock, on the Subject of Sending Supervisors with Extraordinary Powers to India by A Friend to Fair Discussion* (London, 1772)
- Hume, David, *Essays Moral, Political and Literary*, rev. edn, ed. Eugene F. Miller, (Indianapolis: Liberty, 1987)
- Independent Proprietor [Johnstone, George/George Dempster (?)], *A Letter to the Proprietors of East India Stock* (London: 1769), BL, OIOC Tract vol. 378
- [Johnson, Samuel], *The False Alarm* (London, 1770)
- Johnstone, John, *A Letter to the Proprietors of East India Stock from John Johnstone Late One of the Council at Calcutta Bengal* (London, 1766)
- [Johnstone, George], *Thoughts on our Acquisitions in the East Indies Particularly Respecting Bengal* (London, 1771), BL OIOC Tract vol. 107
- Kames, Henry Homes, Lord, *Sketches of the History of Man*, 2 vols (Edinburgh, 1774)
- Keir, Archibald, *Thoughts on the Affairs of Bengal* (London, 1772)
- Knox, William, *The Present State of the Nation: Particularly with Respect to its Trade, Finances etc., Addressed to the King and both Houses of Parliament*, 4th edn (Dublin: 1769)
- Machiavelli, Niccolo, *The Discourses of Niccolo Machiavelli*, trans. Leslie J. Walker, 2 vols (London; Routledge, 1950)
- Mandeville, Bernard, *The Fable of the Bees: or Private Vices, Publick Benefits*, ed. F. B. Kaye, 2 vols (Oxford: Clarendon Press, 1924; repr. Indianapolis: Liberty, 1988)
- Montesquieu, Charles-Louis de Secondat, Baron de, *The Spirit of the Laws* (1748), ed. Anne Cohler, Basia C. Miller and Harold S. Stone (Cambridge: Cambridge University Press, 1989; repr. 2000)
- Old Proprietor, and Former Servant of the East India Company, *A Letter to Sir George Colebrooke, Bart. on the Subjects of Supervision and Dividend* (London, 1772)
- Pattullo, H., *An Essay upon the Cultivation of the Lands, and Improvements of the Revenues of Bengal* (London, 1772)
- Pollexfen, John, *England and East-India Inconsistent in their Manufactures. Being an Answer to the Treatise Intituled An Essay on the East-India Trade by the Author of the Essay of Wayes and Means* (London, 1697), BL, OIOC Tract vol. 83
- Postlethwayt, Malachy, *The Universal Dictionary of Trade and Commerce Translated from the French of the Celebrated Monsieur Savary, Inspector-General of the Manufactures for the King, at the Custom House of Paris: with Large Additions and Improvements Incorporated Throughout the Whole Work; Which More Particularly Accommodate the same to the Trade and Navigation of these Kingdoms, and the Laws, Customs and Usages, to Which all Traders are Subject*, 2 vols (London, 1751–55)
- Pownall, Thomas, *Right, Interest, and Duty of Government as Concerned in the Affairs of the East Indies*, rev. edn (London, 1781)
- Robertson, William, *The History of America*, 6th edn, 3 vols (London, 1792)
- Robertson, William, *An Historical Disquisition Concerning the Knowledge the Ancients had of India and the Progress of Trade with that Country prior to the Discovery of the Passage*

to it by the Cape of Good Hope, in *The Works of William Robertson*, vol. X (London, 1794; repr. London: Routledge/Thoemmes Press, 1996)

Sallust, *Bellum Catilinae*, in *Sallust*, ed. and trans. J. C. Rolfe, Loeb Classical Library (London, 1920)

Scrafton, Luke, *Reflections on the Government of Indostan*, (London, 1770), BL, OIOC Tract vol. 61

Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell and A. S. Skinner, 2 vols. (Oxford: Clarendon Press, 1976; repr. Indianapolis: Liberty, 1981)

Smith, Adam, *Lectures on Jurisprudence*, ed. by R. L. Meek, D. D. Raphael and P. G. Stein (Oxford: Clarendon Press, 1978; repr. Indianapolis: Liberty, 1982)

Smith, Adam, *Lectures on Rhetoric and Belles Lettres* (Oxford: Clarendon Press, 1983; repr. Indianapolis: Liberty, 1985)

Smith, Adam, *The Theory of Moral Sentiments*, ed. D. D. Raphael and A. L. Macfie (Oxford: Clarendon Press, 1976; repr. Indianapolis: Liberty, 1984)

[Smith, Nathaniel], *Observations on the Present State of the East-India Company* (London, 1771), BL, OIOC Tract vol. 128

[Smith, Nathaniel], *The Measures to be Pursued in India for Ensuring the Permanency and Augmenting the Commerce of the Company Farther Considered with the Heads of a Plan for Carrying those Measures into Execution* (London, 1772), BL, OIOC Tract vol. 128

[Smith, Nathaniel], *General Remarks on the System of Government in India with Further Considerations on the Present State of the Company at Home and Abroad* (London, 1773), BL, OIOC Tract vol. 128

Steuart, James, *The Works, Political, Metaphysical and Chronological of the late Sir James Steuart of Coltness Bart*, 6 vols. (London, 1805)

Steuart, James, *An Inquiry into the Principles of Political Oeconomy* (1767), 2 vols, ed. Andrew S. Skinner (Edinburgh & London: Oliver and Boyd, 1966)

T. S., *Reasons Humbly Offered for the Passing of a Bill for the Hindering of the Home Consumption of East-India Silks, Bengals etc. and an Answer to the Author of Several Objections Against the Said Bill, in a Book, Entitled, An Essay on East-India Trade* (London, 1697), BL, OIOC Tract vol. 83

Untainted Englishman, *The Absolute Necessity of Laying Open the Trade to the East Indies* (London, 1767)

Untainted Englishman, *An Address to the Public, Concerning the Business Between the Government and the East-India Company Proving that the Government has no Just Demand on the Company, Either for Protection Granted, or for Territorial Acquisitions* (London, 1767), BL, OIOC Tract vol. 133

Verelst, Harry, *A View of the Rise and Progress and the Present State of the English Government in Bengal* (1772), repr. in *The East India Company 1600-1858*, vol. III, ed. Patrick Tuck (London: Routledge, 1999)

Young, Arthur, *Political Essays Concerning the Present State of the British Empire* (London, 1772)

Secondary Works

- Ahnert, Thomas, 'Religion and the Moderates' Enlightenment: the Historiography of William Robertson' (Unpublished Manuscript)
- Akhtar, M. A., 'An Analytical Outline of Sir James Steuart's Macroeconomic Model' *Oxford Economic Papers*, 31, 2 (1979), 283–302
- Alam, Muzaffar, *The Crisis of Empire in Mughal North India: Awadh and Punjab 1707-48* (Delhi: Oxford University Press, 1986)
- Alam, Muzaffar, and Sanjay Subrahmanyam, 'Introduction', in *The Mughal State 1526–1750*, ed. Alam and Subrahmanyam (New Delhi: Oxford University Press, 1998)
- Ali, M. Athar, 'Recent Theories of Eighteenth-Century India', in *The Eighteenth Century in Indian History: Evolution or Revolution*, ed. P. J. Marshall (Oxford: Oxford University Press, 2003)
- Anderson, G. M., and R. D. Tollinson, 'Sir James Steuart as the Apotheosis of Mercantilism and his Relation to Adam Smith', *Southern Economic Journal*, 51 (1984), 456–68
- Armitage, David, *The Ideological Origins of the British Empire* (Cambridge: Cambridge University Press, 2000)
- Bailyn, Bernard, *The Ideological Origins of the American Revolution* (London: Belknap, 1967; repr. 1992)
- Barber, William J., *British Economic Thought and India 1600–1858: a Study in the History of Development Economics* (Oxford: Clarendon Press, 1975)
- Barnett, Richard B., *North India Between Empires: Awadh, the Mughals and the British 1720–1801* (London: University of California Press, 1980)
- Barrow, Ian, and Douglas E. Haynes, 'The Colonial Transition: South Asia 1780–1840', *Modern Asian Studies*, 38, 3 (2004), 469–478
- Bayly, C. A., 'The British Military-Fiscal State and Indigenous Resistance India 1750–1820', in *An Imperial State at War: Britain from 1689–1815*, ed. L. Stone (London: Routledge, 1994)
- Bayly, C. A., *Imperial Meridian: The British Empire and the World 1780–1830* (Harlow: Longman, 1989)
- Bayly, C. A., *Indian Society and the Making of the British Empire* (Cambridge: Cambridge University Press, 1988; repr. 2001)
- Berry, Christopher J., *The Idea of Luxury: a Conceptual and Historical Investigation* (Cambridge: Cambridge University Press, 1994)
- Berry, Christopher J., *Social Theory of the Scottish Enlightenment* (Edinburgh: Edinburgh University Press, 1997; repr. 2001)
- Black, Jeremy, *A System of Ambition? British Foreign Policy 1660–1793* (1991; repr. Gloucestershire: Sutton Publishing, 2000)
- Boesche, R., 'Fearing Monarchs and Merchants: Montesquieu's Two Theories of Despotism', *Western Political Quarterly*, 43, 4 (1990), 741–61
- Boesche, R., 'The Politics of Pretence: Tacitus and the Political Theory of Despotism', *History of Political Thought*, 8, 2 (1987), 189–210
- Bowen, H. V., 'British Conceptions of Global Empire 1756–83', *Journal of Imperial and Commonwealth History*, 26 (1998), 1–27

- Bowen, H. V., "'Dipped in the Traffic': East India Stockholders in the House of Commons 1768–1774', *Parliamentary History*, 5 (1986), 39–53
- Bowen, H. V., 'Investment and Empire in the Later Eighteenth Century: East India Stockholding', *Economic History Review*, New Series, 42, 2, (1989), 186–206
- Bowen, H. V., 'The "Little Parliament": the General Court of the East India Company 1750–1784', *Historical Journal*, 34, 4 (1991), 857–72
- Bowen, H. V., 'The Pests of Human Society: Stockbrokers, Jobbers and Speculators in Mid-eighteenth-century Britain', *History*, 78, 252 (1993), 38–53
- Bowen, H. V., 'A Question of Sovereignty? The Bengal Land Revenue Issue, 1765–67', *Journal of Imperial and Commonwealth History*, 16 (1988), 155–76
- Bowen, H. V., *Revenue and Reform: the Indian Problem in British Politics 1757–1773* (Cambridge: Cambridge University Press, 1991)
- Bowen, H. V., 'Sinews of Trade and Empire: the Supply of Commodity Exports to the East India Company During the Late Eighteenth Century', *Economic History Review*, 55, 3 (2002), 466–86
- Bowen, H. V., 'Tea, Tribute and the East India Company c.1750–c.1775', in *Hanoverian Britain and Empire: Essays in Memory of Philip Lawson*, ed. Steven Taylor et. al. (Woodbridge: Boydell Press, 1998)
- Brewer, Anthony, 'An Eighteenth-Century View of Economic Development: Hume and Steuart', *European Journal of the History of Economic Thought*, 4, 1 (1997), 1–22
- Burt, Shelley, *Virtue Transformed: Political Argument in England 1688–1740* (Cambridge: Cambridge University Press, 1992)
- Cain, Alex N., *The Cornchest for Scotland: Scots in India* (Edinburgh: National Library of Scotland, 1986)
- Calkins, Philip B., 'The Formation of a Regionally Oriented Ruling Group in Bengal, 1700–1740', *Journal of Asian Studies*, 29, 4 (1970), 799–806
- Canny, Nicholas, 'The Origins of Empire: an Introduction', in Canny (ed.), *The Oxford History of the British Empire*, vol. I, *The Origins of Empire* (Oxford: Oxford University Press, 1998)
- Chandra, Satish, 'Review of the Crisis of the Jagirdari System', in *The Mughal State 1526–1750*, ed. Muzaffar Alam and Sanjay Subrahmanyam (New Delhi: Oxford University Press, 1998)
- Chatterjee, Kumkum, *Merchants, Politics and Society in Early Modern India: Bihar 1733–1820* (Leiden: Brill, 1996)
- Chaudhuri, K. N., *The Trading World of Asia and the English East India Company* (Cambridge: Cambridge University Press, 1978)
- Chaudhury, Sushil, *From Prosperity to Decline: Eighteenth Century Bengal* (New Delhi: Manohar Publishers, 1995)
- Colley, Linda, *Britons: Forging the Nation 1707–1837* (1992; repr. London: Pimlico, 2003)
- Courtney, C. P., 'Montesquieu and English Liberty', in *Montesquieu's Science of Politics: Essays on 'The Spirit of the Laws'*, ed. D. W. Carrithers, Michael A. Mosher and Paul Rahe (Oxford: Rowman & Littlefield, 2001)
- Dickinson, H. T., *Liberty and Property: Political Ideology in Eighteenth-Century Britain* (London: Weidenfeld and Nicolson, 1977)

- Dodwell, H. H., ed., *The Cambridge History of India*, vol. V, *British India 1497-1838* (Cambridge: Cambridge University Press, 1929)
- Earle, Peter, *The World of Defoe* (London: Weidenfeld and Nicolson, 1976)
- Eltis, Walter, 'Steuart on Monetary Reform and Economic Development: His Advice for the Restoration of the Indian Economy', in *The Economics of James Steuart*, ed. R. Tortajada (London: Routledge, 1999)
- Elofson, W. M., *The Rockingham Connection and the Second Founding of the Whig Party* (Montreal and Kingston: McGill-Queen's University Press, 1996)
- Elofson, W. M., 'The Rockingham Whigs in Transition: the East India Company Issue 1772-1773', *English Historical Review*, 104 (1989), 947-74
- Fabel, Robin F. A., *Bombast and Broadsides: the Lives of George Johnstone* (Alabama: University of Alabama Press, 1987)
- Fletcher, F. T. H., *Montesquieu and English Politics: 1750-1800* (1939; repr. Philadelphia: Porcupine Press, 1980)
- Forbes, Duncan, *Hume's Philosophical Politics* (Cambridge: Cambridge University Press, 1975)
- Forrest, Sir George, *The Life of Lord Clive*, 2 vols (London: Cassell, 1918)
- Furber, Holden, *John Company at Work: a Study of European Expansion in India in the late Eighteenth Century* (Cambridge, Mass.: Harvard University Press, 1948; repr. 1951)
- Furber, Holden, *Rival Empires of Trade 1600-1800: In the Orient*, vol. II, *Europe and the World in the Age of Expansion* (Minneapolis: University of Minnesota Press, 1976)
- Gordon, Stewart, *The Marathas 1600-1818* (Cambridge: Cambridge University Press, 1993)
- Guha, Ranajit, *A Rule of Property for Bengal: an Essay on the Idea of the Permanent Settlement* (Paris: Mouton, 1963)
- Gunn, J. A. W., *Beyond Liberty and Property: the Process of Self-Recognition in Eighteenth-Century Political Thought* (Kingston and Montreal: McQuill-Queen's University Press, 1983)
- Gupta, Brijen K., *Sirajuddaulah and the East India Company 1756-57: Background to the Foundation of British Power in India* (Leiden: E. J. Brill, 1966)
- Haakonssen, Knud, *The Science of a Legislator: the Natural Jurisprudence of David Hume and Adam Smith* (Cambridge: Cambridge University Press, 1981)
- Hallward, N. L., *William Bolts: a Dutch Adventurer Under John Company* (Cambridge: Cambridge University Press, 1920)
- Hamowy, Ronald, *The Scottish Enlightenment and the Theory of the Spontaneous Order* (Carbondale: Southern Illinois University Press, 1987)
- Harlow, V. T., *The Founding of the Second British Empire 1763-1793*, 2 vols (London: Longmans, 1952-64)
- Heckscher, Eli F., *Mercantilism*, rev. 2nd edn, ed. E. F. Soderlund, 2 vols (London: George Allen, 1955)
- Hirschman, A. O., *The Passions and the Interests: Political Arguments for Capitalism Before its Triumph* (Princeton: Princeton University Press, 1977)
- Hont, Istvan, 'Free Trade and the Economic Limits to National Politics: Neo-Machiavellian Political Economy Reconsidered', in *The Economic Limits to Modern Politics*, ed. John Dunn (Cambridge: Cambridge University Press, 1990)

- Hont, Istvan, 'The Political Economy of the "Unnatural and Retrograde" Order: Adam Smith and Natural Liberty', in *Französische Revolution und Politische Ökonomie*, ed. Maxine Berg et. al. (Trier: Friedrich-Ebert-Stiftung, 1989)
- Hont, Istvan, 'The Rich Country-Poor Country Debate in Scottish Classical Political Economy', in *Wealth and Virtue: the Shaping of Political Economy in the Scottish Enlightenment*, ed. Hont et. al. (Cambridge: Cambridge University Press, 1983)
- Hont, Istvan, 'The Rhapsody of Public Debt: David Hume and Voluntary State Bankruptcy', in *Political Discourse in Early Modern Britain*, ed. Nicholas Phillipson and Quentin Skinner (Cambridge: Cambridge University Press, 1993)
- Hoppit, Julian, 'Attitudes to Credit in Britain 1680–1790', *The Historical Journal*, 33, 2 (1990), 305–322
- Hundert, E. G., *The Enlightenment's Fable: Bernard Mandeville and the Discovery of Society* (Cambridge: Cambridge University Press, 1994; repr. 1996)
- Jones, M. E. Monckton, *Warren Hastings in Bengal: 1772–1774* (Oxford: Clarendon Press, 1918)
- Keohane, Nannerl O., *Philosophy and the State in France: the Renaissance to the Enlightenment* (Princeton: Princeton University Press, 1980)
- Kerkhof, Bert, 'A Fatal Attraction? Smith's "Theory of Moral Sentiments" and Mandeville's "Fable"', *History of Political Thought*, 16, 2 (1995), 219–33
- Khan, Abdul Majed, *The Transition in Bengal, 1756–1775: a Study of Saiyid Muhammad Reza Khan* (Cambridge: Cambridge University Press, 1969)
- Krause, Sharon, 'Despotism in *The Spirit of Laws*', in *Montesquieu's Science of Politics: Essays on 'The Spirit of the Laws'*, ed. D. W. Carrithers et. al. (Oxford: Rowman & Littlefield, 2001)
- Kuiters, Willem G. J., *The British in Bengal 1756–1773: a Society in Transition Seen Through the Biography of a Rebel William Bolts* (Paris: Les Indes Savantes, 2002)
- Lang, A. M., *A Life of George Dempster: Scottish MP of Dunnichen* (Queenston: Edwin Mellon, 1998)
- Lawson, Philip, *The East India Company: a History* (London: Longman, 1993)
- Lawson, Philip, 'Parliament and the First East India Inquiry', *Parliamentary History: a Yearbook*, 1, (1982), 99–114
- Lenman, Bruce, *Britain's Colonial Wars 1688–1783* (Harlow, England: Longman, 2001)
- Lenman, Bruce, and Philip Lawson, 'Robert Clive, the "Black Jagir", and British Politics', *Historical Journal*, 26, 4, (1983), pp. 801–29
- Leonard, Karen, 'The Hyderabad Political System and its Participants', *Journal of Asian Studies*, 30, 3 (1971), 569–582
- Leonard, Karen, 'The "Great Firm" Theory of the Decline of the Mughal Empire', in *The Mughal State 1526–1750*, ed. Muzaffar Alam and Sanjay Subrahmanyam (New Delhi: Oxford University Press, 1998)
- Low, J. M., 'An Eighteenth Century Controversy in the Theory of Economic Progress', in *David Hume (1711–1776) and James Steuart (1712–1780)*, ed. M. Blaug (Aldershot, England: Edward Elgar, 1991), pp. 27–46
- Magnusson, Lars, *Mercantilism: the Shaping of an Economic Language* (London: Routledge, 1994)

- Malcolm, Sir John, *The Life of Robert Lord Clive: Collected from the Family Papers Communicated by the Earl of Powis*, 3 vols (London: J. Murray, 1836)
- Marshall, P. J., *Bengal: the British Bridgehead* (Cambridge: Cambridge University Press, 1987)
- Marshall, P. J., 'British Expansion in India in the Eighteenth Century: a Historical Revision', *History*, 60, (1975), 28–43
- Marshall, P. J., 'The British in Asia: Trade to Dominion, 1700-1765', in *The Oxford History of the British Empire*, vol. II, *The Eighteenth Century*, ed. Marshall (Oxford: OUP, 1998)
- Marshall, P. J., *East Indian Fortunes: the British in Bengal in the Eighteenth Century* (Oxford: Clarendon, 1976)
- Marshall, P. J., 'Empire and Authority in the Later Eighteenth Century', *Journal of Imperial and Commonwealth History*, 15 (1987), 105–17
- Marshall, P. J., 'The English in Asia to 1700', in *The Oxford History of the British Empire*, vol. I, *The Origins of Empire*, ed. Nicholas Canny (Oxford: Oxford University Press, 1998)
- Marshall, P. J., "'A Free Though Conquering People": Britain and Asia in the Eighteenth Century', Inaugural Lecture in the Rhodes Chair of Imperial History, King's College, London (1981), repr. in *'A Free Though Conquering People': Eighteenth-Century Britain and its Empire*, ed. Marshall (Aldershot: Ashgate Publishing, 2003)
- Marshall, P. J., 'Introduction', in *The Eighteenth Century in Indian History: Evolution or Revolution*, ed. Marshall (Oxford: Oxford University Press, 2003)
- Marshall, P. J., 'Introduction', in *'A Free Though Conquering People': Eighteenth-Century Britain and its Empire*, ed. Marshall (Aldershot: Ashgate Publishing, 2003), pp. ix–xii
- Marshall, P. J., *The Making and Unmaking of Empires: Britain, India and America c.1750–1783* (Oxford: Oxford University Press, 2005)
- McLane, John R., *Land and Local Kingship in Eighteenth-Century Bengal* (Cambridge: Cambridge University Press, 1993)
- Metcalf, Thomas R., *Ideologies of the Raj* (Cambridge: Cambridge University Press, 1994)
- Miller, Peter N., *Defining the Common Good: Empire, Religion and Philosophy in Eighteenth-Century Britain* (Cambridge: Cambridge University Press, 1994)
- Muthu, Sankar, *Enlightenment Against Empire* (Princeton: Princeton University Press, 2003)
- Namier, L. B., *The Structure of Politics at the Accession of George III*, 2nd edn (London: Macmillan, 1957)
- O'Brien, Karen, *Narratives of Enlightenment: Cosmopolitan History from Voltaire to Gibbon* (Cambridge: Cambridge University Press, 1997)
- O'Gorman, Frank, *The Long Eighteenth Century: British Political and Social History 1688–1832* (London: Arnold, 1997)
- Omori, Ikuo, 'The "Scottish Triangle" in the Shaping of Political Economy: David Hume, Sir James Steuart and Adam Smith', in *The Rise of Political Economy in the Scottish Enlightenment*, ed. Tatsuya Sakamoto and Hideo Tanaka (London: Routledge, 2003), pp. 103–118
- Osborn, J. R., 'India and the East India Company in the Public Sphere of Eighteenth-Century Britain', in *The Worlds of the East India Company* ed. H. V. Bowen, M. Lincoln & N. Rigby (Suffolk: Boydell Press, 2002), pp. 201–21
- Pagden, Anthony, *Lords of all the World: Ideologies of Empire in Spain, Britain and France 1500–1800* (London: Yale University Press, 1995)

- Parry, J. H., *Trade and Dominion: the European Overseas Empires in the Eighteenth Century* (1971; repr. London: Phoenix, 2000)
- Pocock, J. G. A., *Barbarism and Religion*, vol. II, *Narratives of Civil Government* (Cambridge: Cambridge University Press, 1999)
- Porter, Roy et. al. (ed.), *The Enlightenment in National Context* (Cambridge; Cambridge University Press, 1981)
- Prakash, Om, *European Commercial Enterprise in Pre-Colonial India* (Cambridge: Cambridge University Press, 1998)
- Prakash, Om, 'The English East India Company and India', in *The Worlds of the East India Company*, ed. H. V. Bowen, M. Lincoln & N. Rigby (Suffolk: Boydell Press, 2002)
- Prakash, Om, 'Trade and Politics in Eighteenth-Century Bengal' in *The Eighteenth Century in India*, ed. Seema Alavi (Oxford: Oxford University Press, 2002)
- Ray, Rajat Kanta, 'Colonial Penetration and the Initial Resistance: the Mughal Ruling Class, the English East India Company and the Struggle for Bengal 1756-1800', *Indian Historical Review*, 12, (1985-6)
- Ray, Rajat Kanta, 'Indian Society and the Establishment of British Supremacy, 1765-1818', in *The Oxford History of the British Empire*, vol. II, *The Eighteenth Century*, ed. P. J. Marshall (Oxford: Oxford University Press, 1998)
- Raynor, David, and Andrew Skinner, 'Sir James Steuart: Nine Letters on the American Conflict, 1775-1778', *William and Mary Quarterly*, 3rd Ser., 51, 4 (1994) 755-776
- Richards, John F., *The Mughal Empire* (Cambridge: Cambridge: University Press, 1993; repr. 2001)
- Richter, Melvin, 'Despotism' in *Dictionary of History of Ideas*, vol. 2, *Studies of Selected Political Ideas*, ed. P. D. Wiener (New York: Charles Scribner's Sons, 1973)
- Sakamoto, Tatsuya, 'Hume's Political Economy as a System of Manners', in *The Rise of Political Economy in the Scottish Enlightenment*, ed. Tatsuya Sakamoto and Hideo Tanaka (London: Routledge, 2003), pp. 86-102
- Sebastiani, Silvia, "'Race" and "Progress" in the Scottish Enlightenment' (Unpublished Manuscript)
- Seeley, J. R., *The Expansion of England* (1883; London: Macmillan, 1909)
- Sen, S. R., *The Economics of Sir James Steuart* (London: London School of Economics and Political Science, 1957)
- Sen, Sudipta, *The Empire of Free Trade: the East India Company and the Making of the Colonial Marketplace* (Philadelphia: University of Pennsylvania Press, 1998)
- Sher, Richard B., *Church and University in the Scottish Enlightenment: the Moderate Literati of Edinburgh* (Princeton: Princeton University Press, 1985)
- Skinner, A. S., 'Economics and History — the Scottish Enlightenment', *Scottish Journal of Political Economy*, 12 (1966), 1-22
- Skinner, A. S., 'Introduction', in *An Inquiry into the Principles of Political Economy by Sir James Steuart*, ed. Skinner with N. Kobayashi and H. Mizuta (London: Pickering & Chatto, 1998)
- Skinner, A. S., 'Money and Prices: a Critique of the Quantity Theory', *Scottish Journal of Political Economy*, 14 (1967) 275-90
- Skinner, A. S., 'Sir James Steuart: Economics and Politics', *Scottish Journal of Political Economy*, 9, (1962), 17-37

- Skinner, A. S., 'Sir James Steuart: International Relations', in *David Hume (1711-1776) and James Steuart (1712-1780)*, ed. M. Blaug (Aldershot, England: Edward Elgar, 1991), pp. 148–160
- Skinner, Quentin, *Visions of Politics*, vol. 1, *Regarding Method* (Cambridge: Cambridge University Press, 2002)
- Sonenscher, M., 'The Nation's Debt and the Birth of the Modern Republic: the French Fiscal Deficit and the Politics of the Revolution of 1789 (Part I)', *History of Political Thought*, 18, 1 (1997), 64–103
- Stuart, M. M., 'Lying under the Company's Displeasure', *South Asian Review*, 8, 1 (1974), 43–53
- Sutherland, Lucy, *The East India Company in Eighteenth-Century Politics* (Oxford: Clarendon Press, 1952)
- Thomas, P. D. G., *The Townshend Duties Crisis: the Second Phase of the American Revolution 1767–1773* (Oxford: Clarendon Press, 1987)
- Thomas, P. J., *Mercantilism and the East India Trade: an Early Phase of the Protection V. Free Trade Controversy* (London: P. S. King, 1926)
- Tortajada, Ramon, 'Rate of Interest, Profit and Prices in the Economics of James Steuart' in *The Economics of James Steuart*, ed. Tortajada, (London: Routledge, 1999)
- Travers, Robert, 'Ideology and British Expansion in Bengal 1757–72', *Journal of Imperial and Commonwealth History*, 33, 1 (2005), 7–27
- Travers, Robert, "'The Real Value of the lands": the Nawabs, the British and the Land Tax in Eighteenth-Century Bengal', *Modern Asian Studies*, 38, 3 (2004), 517–58
- Tribe, Keith, *Governing Economy: the Reformation of German Economic Discourse 1750–1840* (Cambridge: Cambridge University Press, 1988)
- Tuck, Patrick, 'Introduction', in *The East India Company 1600-1858*, vol. III, ed. Tuck (London: Routledge, 1999)
- Urquhart, Robert, 'The Trade Wind, the Statesman and the System of Commerce: Sir James Steuart's Vision of Political Economy', *The European Journal of the History of Economic Thought*, 3, 3 (1996), 379–410
- Venturi, Franco, 'Oriental Despotism', *Journal of the History of Ideas*, 24 (1963), 133–42
- Vickers, Douglas, *Studies in the Theory of Money 1690–1776* (Philadelphia: Chilton, 1959)
- Vile, M. J. C., *Constitutionalism and the Separation of Powers* (Oxford: Clarendon Press, 1967)
- Viner, Jacob, *Studies in the Theory of International Trade* (London: Harper, 1937)
- Viner, Jacob, *Essays on the Intellectual History of Economics* (Princeton: Princeton University Press, 1991)
- Watson, I. Bruce, 'Fortifications and the "Idea" of Force in Early English East India Company Relations with India', *Past and Present*, 88 (1980), 70–87
- Wilson, Kathleen, 'Empire, Trade and Popular Politics in Mid-Hanoverian Britain: the Case of Admiral Vernon', *Past and Present*, 121 (1988), 74–109
- Winch, Donald, *Riches and Poverty: an Intellectual History of Political Economy in Britain 1750–1834* (Cambridge: Cambridge University Press, 1996)
- Wink, André, *Land and Sovereignty in India: Agrarian Society and Politics under the Eighteenth-century Maratha Svarajya* (Cambridge: Cambridge University Press, 1986)

Wootton, David, 'Liberty, Metaphor, and Mechanism: "Checks and Balances" and the Origins of Modern Constitutionalism', Paper Delivered to the School of Public Policy Seminar, University College London (13 Nov 2002)

Yang, Hong-Seok, *The Political Economy of Trade and Growth: an Analytical Interpretation of Sir James Steuart's Inquiry* (Aldershot: Edward Elgar, 1994)

Unpublished Theses

Campbell, Robert, 'Sir James Steuart: a Study in the Development of Economic Thought' (Ph.D. thesis, University of California, 1947)

Osborn, J. R., 'India, Parliament and the Press under George III: a Study of English Attitudes Towards the East India Company and Empire in the Late Eighteenth and Early Nineteenth Centuries' (D.Phil. thesis, University of Oxford, 1999)

Parker, James Gordon, 'The Directors of the East India Company 1754–1790' (Ph.D. thesis, University of Edinburgh, 1977)

Travers, T. R., 'Contested Notions of Sovereignty in Bengal under British Rule: 1765–1785' (Ph.D. thesis, University of Cambridge, 2001)

