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Commitment and Conquest: The Case of British Rule in India

Mandar P. Oak and Anand Swamy

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Mandar P. Oak

School of Economics

University of Adelaide

Adelaide AUSTRALIA

Anand Swamy

Dept of Economics

Williams College

Williamstown MA, USA

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Abstract

Contemporary historians usually attribute the East India Company's military success in India to its military strength. In contrast, we argue that, on its own, military strength was a mixed blessing: it could have led to the formation of coalitions against the Company. This did not happen because the Company's commitments to Indian regimes were more credible than their commitments to each other. In this sense, commitment was the key to conquest.

1 Introduction

There is a huge and sophisticated literature on why the East India Company, a trading enterprise, was able to conquer India. The dominant view among modern historians foregrounds the Company's superior military power, based on better technology and access to capital, and support from the British state.[1] Another group of historians, while acknowledging the Company's military strength, also emphasize the myopia of Indian regimes, arguing that they failed to recognize that their disunity would pave the way for the Company's ascendance, via serial conquest.[2] A variant of this view (Stein 2001, p.209) emphasizes the Company's organizational structure, arguing that Indian regimes were "lulled" into a false sense of security because they were aware that authorities in London (with oversight over the Company in India) were conservative, and opposed to risky warfare. In this paper we consider the three factors discussed above: the expectations of Indian regimes, the Company's military power, and the role of its organizational structure. We argue that (i) Indian regimes were not myopic – they fully anticipated the long-term territorial threat posed by the Company; (ii) The Company's organizational structure constrained its officials in India; while they often broke agreements, fear of censure from London put a ceiling on the extent of contract violation; (iii) But for this the Company's military strength could have been a disadvantage.

We develop our argument by examining the period 1785-1800, a decisive phase in which the Company made the transition from being one of the important players on the subcontinent, to being the "Paramount Power." The Company had two credible rivals in 1785: the Maratha confederacy, centered in Poona in western India, and especially, the southern kingdom of Mysore, which

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[1] See, for instance, Gordon (1998, pp. 193-94). Bayly (1999, p. 97) argues that the British "were able to conquer the Indian subcontinent within a period of two generations because they commanded the Indian seas and the Bengal revenues," but also goes on to emphasize the importance of its success in information gathering and military intelligence.

[2] The introduction to Regani (1963, p. i), by P. Sreenivas Char, quotes M.S. Mehta on the short-sightedness of Indian regimes: "It is a sad commentary on their sagacity and judgment that they should have failed to understand the simple phenomenon that mutual enmity and disunion were bound to destroy the sovereignty and independence which they so proudly wished to preserve."

historians consider the Company's "most formidable and most determined" foe (Moon 1990, p. 291). By 1800, the Company had defeated Mysore with the help of the Marathas and the writing was on the wall: Contemporary observers could foresee the Company's future defeat of the Marathas and its domination of the subcontinent.[3] What accounts for this outcome?

To organize ideas, we use a simple game-theoretic model with three players with different levels of military strength. We model players as being "rational," in the sense of forward-looking, rather than myopic, because there is ample evidence for this. The Marathas were able to anticipate that, after allying with them today, the Company might turn on them tomorrow. For instance, a key Maratha minister wrote to the ruler of Mysore in 1782, regarding the Company.

> Divide and Grab is their main principle....They are bent upon subjugating the states of Poona, Nagpur, Mysore and Haidarabad one by one, by enlisting the sympathy of one to put down the others. They know best how to destroy the Indian cohesion.

Similarly, Ahilyabai Holkar, at the head of an important component of the Maratha Confederacy had earlier warned of the risks of allying with the Company:

> Other beasts, like tigers, can be killed by might or contrivance, but to kill a bear it is very difficult. It will die only if you kill it straight in the face, Or else, once caught in its powerful hold, the bear will kill its prey by tickling. Such is the way of the English. And in view of this, it is difficult to triumph over them.[4]

Clearly, there was no myopia here.

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[3] Nana Fadnavis, the Maratha minister, wrote in 1800: "Tipu is finished; the British power has increased; the whole of East India is already theirs; Poona will be the next victim...There seems to be no escape from destiny." Even earlier, in 1792, after the Third Mysore War, contemporary French observers noted that by allying against Mysore, the Company's other Indian rivals were "enfeebling the only Power 'qui puisse an imposer aux anglais" (Thompson 1943, p. 4).

[4] Cited by Kamath and Kher (1995, p. 126).

What was the role of the Company's organizational structure? The Company was dependent on the British government for military support and for what we would today call financial bailouts. It therefore had to accept supervision in the form of a "Board of Control," which was skeptical of the Company's tendency to initiate expensive wars, as was the Company's own Court of Directors. The Company also had numerous enemies in London, resentful of its trade monopoly and the wealth and influence of its returning "nabobs." Therefore, the behavior of Company officials came under intense scrutiny. This meant that while the Company in India could and did violate contracts with other regimes, this was costly, and this tended to moderate its bad faith. A good example of this is provided by Fisher (1987). In 1800 the Company was tempted to annex Avadh, a rich but militarily weak region that had been its ally since 1764. The Company was, however, restrained by the fear of reaction in London and India, so it annexed merely half of Avadh! Thus, the Company in India consistently acted in "constrained bad faith."[5] On the other hand, the Indian regimes, which had no such oversight, faced no such constraints. We model this by assuming that when the Company broke contracts it bore a cost "c" and the other regimes bore no cost. We refer to c as "commitment ability."

Our initial (benchmark) model has three players, with differing military strengths, all whom can violate contracts at no cost. If one player is overwhelming, i.e. stronger than the other two taken together, he wins (this is obvious). But if he is not overwhelming he loses, because the other two players gang up against him. We then allow the strongest player to have a cost of violating a contract, c. We find that the strongest player can enter a winning coalition only if c is high enough, i.e. if its commitment ability is large enough to compensate for its military advantage. We then turn to the history, and ar-

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[5] Even Richard Wellesley, often considered the most aggressive Governor-General, was vulnerable to his critics. In 1804 he became enraged with a subordinate for reasons his personal secretary explained as follows: "Whatever your motives may have been, your conduct has certainly placed Lord Wellesley in a very embarrassing position. . . Your having shown a great disposition to admit the justice of Scindiah's right to Gwalior and Gohud is likely, Lord Wellesley thinks to give his enemies in Leadenhall Street room to found an accusation against Lord Wellesley of injustice and rapacity. . . " (Thompson 1943, p. 98).

gue that the coalition of the Company (the strongest player) with the Marathas (the weakest) came about because the Company had the commitment ability to compensate for its military strength.

We support our claim regarding the potential disadvantage of military power by comparing the Company's success in forming alliances in two situations. The Company's defeat of Mysore occurred in two conflicts, separated by seven years. In the intervening period the Company had become more powerful and Mysore had been weakened. We show that this may have lessened the appeal of the Company as an ally and increased that of Mysore. Military power, short of being overwhelming, was a mixed blessing. We also report that, after defeating Mysore, the Company behaved exactly as we have argued above, in bad faith, but with some restraint. Finally, we have a brief discussion of what happened when London stopped constraining Company officials in India.

The next section of this paper provides some historical background, and describes the political situation in India the late 1780's. This section yields the assumptions that underpin the model which we present in the third section. We then return to the history, using the model to guide our interpretation. The final section summarizes and concludes.

2   The Company and its Rivals

The three major players discussed in the introduction (Company, Marathas, Mysore), and a fourth, the Nizam of Hyderabad (much weaker and militarily "non-pivotal") were intermittently at war in various permutations and combinations from the 1760's to the 1780's.[6] As mentioned earlier, we focus on the period 1785-1800, when the Company went from being one of three major players to being the dominant power.

The Company's military prowess was much-feared; there was a history of relatively small numbers of Company troops defeating much larger armies. How-

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[6]The Nizam's military strength was insufficient to change the outcome of conflicts among the other three, so we have suppressed discussion of his role, though it receives attention in the literature.

ever by the 1780's Mysore, under the leadership first of Haidar Ali and then his son, Tipu Sultan, was growing in strength. Mysore had held its own in conflict with the Company in the early 1780's, and the Company's prestige had diminished somewhat. The potential threat from Tipu was also periodically enhanced by the fear that he would receive assistance from the French. The Company's own perception was that while it had an edge over Mysore, it could do with some help: Governor-General Cornwallis wrote to Charles Malet, his emissary to the Marathas' court in Poona, emphasizing the importance of their support, noting that without it "I could not flatter myself with a certain prospect of the speedy conclusion as well as the decided success of the war" (Ali 1982, pp. 194-95).[7] Given this history it seems fair to characterize the Company as the most powerful player, followed closely by Mysore.

The comparison between Tipu and the Marathas seems more clear-cut. Tipu had bested a coalition of the Marathas and the Nizam in the mid-1780's (Sen 1974, Hasan 1971), though this was by no means a rout. Tipu's advantage was, on the one hand, that he had adopted European military tactics and hardware (Brittlebank 1987, Hasan 1971). Also, the Marathas, who were a coalition in themselves, lacked internal cohesion, whereas Tipu had a more unified force, which he personally commanded.[8]

Given this background, we write down a model of three players, in which none could single-handedly overwhelm the other two.[9]

None of the parties trusted each other, but there was one fundamental difference between the Company and its rivals: Company officials in India were answerable to higher authorities who might hold them personally accountable for contractual violation or military atrocities. A description of an alleged massacre

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[7]Similarly, in a letter to Pitt in 1790 (Sen 1974, p. 98) Paul Benfield wrote: "The sufficiency of our military force in that part of the world, for such an undertaking, is, I conclude, unquestionable; but the resources for the inevitable expenses, and for supplies of stores and provisions, necessary for so important an undertaking, must be less certain. It will be fortunate if the politics of the two courts, of the Marathas and the Nizam are found sufficiently steady to be counted upon, in the pursuit of a great political plan."

[8]See section 4, footnote 16.

[9]Sardesai (1968, p. 182) explicitly argues that any two of these players could have defeated the third.

of civilians by Company troops in 1783 was inserted into the 1784 publication of Edmund Burke's *Annual Register*.[10] The best example of the cost of contract violation was, however, the famous trial of Warren Hastings, the first Governor-General (1772-1784), upon his return to England (Dirks 2006). Key articles of impeachment pertained to political decisions, not just personal corruption. One allegation related to Hastings's treatment of the Raja of Benares, a Company's client: Under financial pressure, Hastings had increased his demands for taxes, beyond the contracted amount. Chait Singh had resisted, negotiated, and finally rebelled. Another charge against Warren Hastings pertained to the demands he placed on the Begums (Queens) of Avadh, a Company ally, again to obtain resources for the Company. For our purposes it is not especially relevant whether or not Hastings was guilty (he was acquitted) – our point is he was answerable to superiors and political enemies in a way that Indian rulers were not.

Two examples pertaining to Tipu Sultan highlight the contrast. In 1785, Tipu and the Marathas entered into a dispute involving the taxation of a minor chieftain whose land, formerly in Maratha territory, was now under Tipu's control. After mutual threats and military mobilization by both parties, an agreement was reached, which guaranteed the safety of the chieftain. Duff (1826, p. 5) reports that Tipu then practiced a "gross deception." The chieftain and his family were "treacherously seized; his daughter was reserved for the Sultan's seraglio, and the rest were immured in a Cabuldroog [a fortress] where they perished."[11] Another example of contract violation occured after the war of the mid-1780s referenced above was ended by the Treaty of Gajendragad. Tipu immediately violated the agreement and seized a region called Kittur. This incident was later invoked by a British negotiator persuading the Marathas to

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[10] The allegation was vigorously refuted, but Wilks (1810), a Company official who wrote perhaps the best-known political history of South India of that period, still felt the need to address this issue decades later.

[11] Tipu Sultan is a much-vilified figure in Indian history, and we should worry about "orientalist" descriptions of him, especially by contemporary British writers However, this incident is described in a similar manner by Deodhar (1962, p. 137), who bases himself on both British and Marathi sources, and Sardesai (1968, Volume 2, p. 178), considered a standard source on Maratha history. And in any case, for our purposes, it is the perceptions that mattered.

join the Company against Mysore: "...[H]as he [Tipu] not lately infringed the treaty concluded with you, and insulted your honour by the violent seizure of Kittor...?" (Sen 1974, p. 70). Tipu undoubtedly suffered reputation costs, but there was no superior authority to chastise him.

To capture this difference between the Company and its rivals, in the model we assign the strongest player a positive cost of contract violation. To allow a role for expectations we assume that military powers today are known, but there is some uncertainty about what they will be in the future.

3   The Model

Our world is comprised of three players – 1, 2 and 3. There are two time periods. In period 1, each player i has military strength p_i^1. The values of p_1^1, p_2^1 and p_3^1 are commonly known at the beginning of period 1. If he survives after period 1, player i's military strength in period 2 is denoted by a random variable p_i^2, the actual value of which is realized and commonly known only at the beginning of period 2. In period 1, the players hold common priors about the values of p_1^2, p_2^2 and p_3^2. Let $\pi_{i>j}$ denote the ex-ante probability that in period 2 player i's military strength will exceed that of player j. We make the following assumptions.

Assumption 1 $p_1^1 > p_2^1 > p_3^1$.

Assumption 2 If $p_i^1 > p_j^1$, then $\pi_{i>j} > \frac{1}{2}$. Also, if $p_i^1 > p_j^1$, then for any player $k \neq i, j$, $\pi_{i>k} > \pi_{j>k}$.

Assumption 3 $p_i^1 + p_j^1 > p_k^1$ for any i and j.

The first assumption is simply a naming convention. The second assumption states that a player who is strong (relative to others) in the first period has a greater chance of remaining relatively strong in the second period. The third assumption states that no player is overwhelmingly powerful. This assumption was discussed in the previous section.

In period 1, players form coalitions and a war takes place between the rival coalitions. Members of a coalition sign a de jure contract agreeing to (i) Not attack each other in future; and (ii) share the surplus (which is normalized to 1) in a certain proportion. The coalition with a greater cumulative military strength wins. The vanquished are eliminated and the victors go into the next period.

The de jure contract between, say players i and j with surplus allocations α and $1-\alpha$, which we can denote by $C(i,j;\alpha,1-\alpha)$, is a non-state contingent contract. However, upon entering the second period, the more powerful of the two partners has the ability to defeat the other and capture the entire surplus. We model the contractual constraints against this kind of violation as a cost of breaking the contract which, for player i, we denote by c_i. Hence, player i, if he is more powerful than player j, will violate the contract $C(i,j;\alpha,1-\alpha)$ if and only if $1-c_i > \alpha$. Similarly player j, when more powerful, will violate the contract if and only if $1-c_j > 1-\alpha$. Since the players are assumed to be forward looking, they will anticipate this behavior while negotiationg the contract. Thus, the de facto contract they negotiate in period one can be described as $C(i,j;\alpha_i,\alpha_j)$, where $\alpha_i \equiv \max\{\alpha, 1-c_i\}$ and $\alpha_j \equiv \max\{1-\alpha, 1-c_j\}$ denote the payoffs to players when they are more powerful than their rival.[12] For our analysis hereafter we will model this de facto contract.

A coalition $\mathcal{C}(i,j;\alpha_i,\alpha_j)$ is said to be a *stable* coalition if there is no other coalition that would be more attractive to either member and to player k, i.e. a coalition is stable if its members cannot be lured away by any non-member(s) by proposing an alternative coalition. Moreover, a coalition is a *winning* coalition if the members are stronger than the non-members collectively.

We can characterize the set of two-player stable winning coalitions as follows. In a coalition $\mathcal{C}(i,j;\alpha_i,\alpha_j)$ player i's expected payoff is: $\pi_{i>j} \cdot \alpha_i + (1-\pi_{i>j})(1-\alpha_j)$. Since the excluded player gets eliminated (which yields zero payoff), he will be willing to propose any alternative coalition that gives him a non-negative

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[12] Since a coalition can be identified with a contract, we shall use the terms coalition and contract interchangeably.

payoff. The best payoff player k can credibly offer player i in the event that player k is dominant is c_k. Therefore, the best alternative coalition that k can propose to player i is $\mathcal{C}(i, k; 1, 1-c_k)$.[13] Under this coalition, the expected payoff of player i is: $\pi_{i>k} \cdot 1 + (1 - \pi_{i>k}) c_k$. Hence, the coalition $\mathcal{C}(i, j; \alpha_i, \alpha_j)$ is a stable winning coalition if the following conditions are satisfied.

$$\pi_{i>j} \cdot \alpha_i + (1 - \pi_{i>j})(1 - \alpha_j) \geq \pi_{i>k} \cdot 1 + (1 - \pi_{i>k}) c_k \quad \text{and} \quad (1)$$

$$\pi_{j>i} \cdot \alpha_j + (1 - \pi_{j>i})(1 - \alpha_i) \geq \pi_{j>k} \cdot 1 + (1 - \pi_{j>k}) c_k. \quad (2)$$

We are particularly interested in understanding which coalitions emerge and their relationship with the distribution of military powers and commitment abilities of players.

3.1 Game without Commitment Ability

In our framework this case is equivalent to $c_i = 0$ for each player i. Since $\alpha_i = \max\{\alpha, 1 - c_i\}$, we always have $\alpha_i = 1$ for each player i. Plugging this into the inequalities (1) and (2), we get

$$\pi_{i>j} \geq \pi_{i>k} \quad \text{and} \quad \pi_{j>i} \geq \pi_{j>k}.$$

These conditions are satisfied if and only if player k is stronger than both players i and j. Hence, we get the result: **when no player has the commitment ability, there is a unique stable winning coalition comprised of players 2 and 3.**

3.2 Game with Commitment Ability for player 1

As we saw in the previous sub-section, when no player has the ability to commit, player 1, who is the strongest player, is eliminated by a coalition of weaker players! What happens when player 1 has commitment ability while the other

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[13]The corresponding de jure contract would be $C(i, k; 1, 0)$.

two players do not?[14] Player 1 will be able to "lure away" player $i \in \{2,3\}$ if he can credibly offer him a coalition $\mathcal{C}(1, i; \alpha_1, \alpha_i)$ which yields i a better payoff than he obtains in the 2-3 coalition. Hence, player 1 must offer player i at least $\pi_{i>j}$ where $i \neq j; i, j \in \{2, 3\}$. The "best" coalition player 1 can credibly offer player i is $\mathcal{C}(1, i; 1 - c_1, 1)$ which gives him the payoff $(1 - \pi_{i>1}) \cdot c_1 + (\pi_{i>1})(1)$. Hence we require that for some $i \in \{2, 3\}$

$$(1 - \pi_{i>1}) \cdot c_1 + (\pi_{i>1})(1) > \pi_{i>j}$$

which can be rearranged as

$$c_1 > 1 - \frac{\pi_{j>i}}{\pi_{1>i}}. \tag{3}$$

In words, player 1 can lure away player i if he has sufficient commitment ability to compensate for the greater future threat he poses to player i. Since $\pi_{j>i} < \pi_{1>i}$, we know that $c_1 \in [0, 1]$.

Which player from $\{2, 3\}$ will player 1 pick for his partner? For any proposed coalition $\mathcal{C}(1, i; \alpha_i, 1)$ player 1's expected payoff is $\pi_{1>i} \cdot \alpha_i$. Hence, if a contract is acceptable to both players 2 and 3, 1 would rather offer it to player 3. That is, if

$$c_1 > \max\{1 - \frac{\pi_{2>3}}{\pi_{1>3}}, 1 - \frac{\pi_{3>2}}{\pi_{1>2}}\},$$

then player 1 will choose 3 as his partner, otherwise he will pick the player for whom inequality (3) is satisfied. Inequality (3) also tells us that, ceteris paribus, 2-3 coalition is more likely to be stable if i) player 1 is strong ($\pi_{1>2}$ and $\pi_{1>3}$ are large); and ii) there is a relative balance of power between 2 and 3 (i.e., $\pi_{3>2}$ and $\pi_{2>3}$ are close to 1/2).

3.2.1 Coalitions involving player 1

For a coalition $C(1, i; \alpha_1, 1)$ between players 1 and i to be a stable, winning coalition we need to ensure that player j cannot lure away either player 1 or

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[14] For sake of completeness it should be mentioned here that if players 2 and 3 have non-negative commitment abilities while player 1 has no commitment ability, we still will get 2-3 as a unique stable winning coalition.

player i. Since player j has no commitment ability, the only coalition he can offer either player $k \in \{1, i\}$ is $C(j, k : 1, 1)$.

- Player 1 cannot be lured away by j as long as

$$\pi_{1>i} \cdot \alpha_1 + (1 - \pi_{1>i})0 \geq \pi_{1>j} \iff \alpha_1 \geq \frac{\pi_{1>j}}{\pi_{1>i}} \qquad (4)$$

- Player i cannot be lured away by j as long as

$$\pi_{1>i} \cdot (1 - \alpha_1) + (1 - \pi_{1>i}) \geq 1 - \pi_{j>i} \iff \alpha_1 \leq \frac{\pi_{j>i}}{\pi_{1>i}} \qquad (5)$$

By inspecting conditions (4) and (5) we can draw the following conclusions:

1. **Player 3 can always destabilize any feasible 1-2 coalition by luring away player 1.** This follows from substituting $j = 3$ and $i = 2$ in condition (4) and observing that $\frac{\pi_{1>3}}{\pi_{1>2}} > 1$ while α_1 cannot exceed 1. The intuition is straightforward: Player 1 prefers 3 because he is less threatening in the future.

2. A necessary condition for a 1-3 coalition to be stable is that

$$\pi_{2>3} \geq \pi_{1>2}, \qquad (6)$$

i.e. the lower bound on α_1 must be smaller than the upper bound on it.

In addition to the above condition we must also ensure the α_1 is credible, i.e. $\alpha_1 \geq 1 - c_1$. This provides another necessary condition for a 1-3 to be a stable winning coalition, viz.

$$c_1 \geq 1 - \frac{\pi_{2>3}}{\pi_{1>3}}. \qquad (7)$$

Conditions (6) and (7) are jointly sufficient for there being a stable winning coalition between player 1 and 3. Moreover, by observing that the condition (7) is same as condition (3) we can see that the two conditions that are jointly

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sufficient for a stable winning coalition 1-3 also guarantee that it is the unique stable winning coalition.

Thus, our model suggests that a unique stable winning coalition between players 1 and 3 will likely emerge as long as i) player 1 is not "too strong," and ii) there is an imbalance of power between players 2 and 3.

To sum up,

1. 1. A coalition between 1 and 2 can never be stable.

2. If

$$c_1 \leq \min\{1 - \frac{\pi_{2>3}}{\pi_{1>3}}, 1 - \frac{\pi_{3>2}}{\pi_{1>2}}\}$$

then there is a unique stable winning coalition between players 2 and 3.

3. If conditions (6) and (7) are satisfied, then there is a unique stable winning coalition between players 1 and 3.

4. If condition (6) is violated and $c_1 > \min\{1 - \frac{\pi_{2>3}}{\pi_{1>3}}, 1 - \frac{\pi_{3>2}}{\pi_{1>2}}\}$ then there is no stable coalition.[15]

The next section of this paper interprets the history in light of the model. The reader may recall that we have identified the Company, Tipu, and the Marathas as players 1, 2, and 3, respectively.

4   War and Alliances

We have previously mentioned, in the introduction, that in the decisive conflict between Tipu Sultan and the Company, the Third Mysore War (ending in 1792) a Company-Maratha alliance was formed.[16] In terms of our model, this is a 1-3 coalition. This requires (6) and (7) to hold. Equation (7) ensures that

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[15] In this case, player 1 is at an advantage if $c_1 \geq 1 - \frac{\pi_{2>3}}{\pi_{1>3}}$: there exists a $\{1,3\}$ coalition that can be destabilized by player 2 only by luring player 1 away. Also, as argued earlier, any $\{1,2\}$ coalition can be destabilized by player 3 by luring away player 1.

[16] The "Marathas" were actually a fractious coalition of their own, often called a "confederacy." The central component was in Poona, headed by the Peshwa. The Peshwa signed a treaty with the Company and fought in the Third Mysore War. The other two major elements of the Maratha coalition, Holkar and Scindia, stayed neutral.

the Marathas cannot be lured away from the Company-Maratha coalition. (6) ensures that the Company itself cannot be lured away from this coalition. For the purposes of this paper, (7) is key, because it guarantees the survival of the Company – it can always make a sufficiently attractive offer to retain Marathas as an ally. When will this condition hold? Clearly, it is more likely to hold when the Company has more commitment ability. It is also more likely to hold when $\frac{\pi_{2>3}}{\pi_{1>3}}$ is large, which will occur when Company and Tipu are relatively close in military strength. We argued this was the case, in section 2. Thus, in our view, the Company-Maratha coalition came about because the Company had enough commitment ability to offset the slightly greater future military threat it posed to the Marathas.[17]

To extend our analysis we would, ideally, like to consider two counterfactuals: (a) The outcome if Tipu had been weaker, the Company was stronger, or both (b) The outcome if the Company lost its (limited) commitment ability, and became as unrestrained as Tipu. We are partly able to examine (a), below. Of course we don't have an equivalent to (b), but we will discuss a famous event that is suggestive.

The Marathas were not myopic during the Third Mysore War; they anticipated the future threat from the Company. Therefore, their goal was to weaken Tipu, not eliminate him, thereby retaining him as a potential ally.[18] Once it was evident that Tipu would be defeated the Marathas made clear their preference for hostilities to end; the *coup de grace* should not be delivered. Tipu gave up considerable territory, and a peace treaty was signed in 1792. This peace treaty was respected until a new and more aggressive Governor-General, Richard Wellesley, took charge of Company administration in India. Wellesley increased the Company's military force, and sought a pretext to attack Tipu,

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[17]Though equation 6 is less important for our purposes, we have made the case for it in section 2: the Tipu-Maratha power differential ($\pi_{2>3}$) was larger than the Company-Tipu power differential ($\pi_{1>2}$).

[18]Charles Malet, the Company's representative in the Poona Court wrote to Governor-General Cornwallis in 1791 that he was "apprehensive that you will experience a strong tendency on the part of the allies to evasion and delay in commencing the operations....[consistent with] their object of reducing, rather by holding up in terror than by striking the dreaded blow, the enemy to their terms..." (Poona Residency Correspondence III, p. 511).

which he conveniently provided. Wellesley then declared war and there was now another round of negotiations, with the Company and Tipu again vying for Maratha support. Again, for the Marathas to prefer the Company, equation 7 had to be satisfied. But this was harder now. The right hand side had risen for two reasons: The Company was stronger, and Tipu was weaker.

What actually happened? In some respects this is a murky story – the Marathas had fallen out amongst themselves and there was much negotiation, plotting, and intrigue, between the Company' representatives, Tipu's represen- tatives, and the Poona Court. However, the outcome was clear: de facto, the Marathas remained neutral. The Company defeated (and killed) Tipu without their help. To the extent the Marathas tilted in any direction, it was towards Tipu. Duff (1826), drawing on the correspondence between Wellesley and his emissary to the Poona Court, concludes:

> Bajee Row imagined. . . he should deceive both parties, and post-
> pone his ultimate decision, until circumstances enabled him to judge
> on which side it would be most advantageous to range himself. As
> far, however, as he was capable of following any plan, his resolution
> was taken in favor of Tippoo.

Modern historians read the evidence in the same way. For instance, Hasan (1971 p. 304), also argues that the Peshwa had decided to join Tipu but "was not bold enough to implement the decision." As our model predicts, the weakening of Tipu and the strengthening of the Company had increased the appeal of the former.

After defeating Tipu, the Company, as anticipated, extracted surplus from its allies, threatening war when necessary. The most common method was to insist that the ruler pay for a military contingent under the Company's control. But the Company still had to worry about its critics and could not act entirely arbitrarily. Of its two allies in the war against Tipu, the Nizam of Hyderbad survived right until Indian independence, despite numerous disputes, especially regarding his payments for the military force. The case of the Maratha Peshwa

is less clear-cut; his territory was annexed in 1818, but he was left with an enormous pension. Indeed, Fisher (1991) reports that rulers deposed by the Company received on average one-fifth of the revenues of their regions. This behavior, where contract violations occur, but the weaker party is still left some surplus, is exactly what we have called "constrained bad faith."

The experiment (b) referred to at the beginning of this section, where the Company's commitment ability was lowered, unfortunately came a bit late (for our analytical purposes!). As the Company became more secure in India, authorities in London encouraged more aggressive policy. In 1841 the Court of Directors told the Governor-General not to give up any "just and honorable accession of territory" (quoted by Fisher 1996, p. 21). This policy was vigorously implemented, especially by Governor-General Dalhousie (1848-56), and various Indian states were annexed under legal pretexts, and the catch-all "misgovernance." Pensions of some deposed rulers were withdrawn. Finally, in 1856, Avadh, which had been partly taken over in 1800, was now fully annexed.[19] The Mutiny/Civil Rebellion of 1857 followed, in which Indian soldiers in the British army rebelled, supported by local populations in some areas, and deposed rulers like the Rani of Jhansi, and the ruling family of Avadh played important roles. Many other Indian rulers who had retained their status remained loyal to the Company. The Rebellion was crushed, and the Crown took over in 1858. The importance of British commitments to Indian rulers was recognized, and Queen Victoria pledged to respect their privileges. Henceforth Indian states were left largely untouched. The causes behind the Mutiny/Rebellion were numerous and complex, so we make the comparison with the Mysore wars with some trepidation. But the reader will have anticipated our general point: if the Company, had, like Tipu, been viewed as an unconstrained arbitrary power it would, like him, have failed to find essential allies.

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[19] The Company was also resented for its interference in indigenous religious and cultural practices, and its alteration of long-standing land tenure rights in some regions.

5   Concluding Remarks

The analysis in this paper draws on, but differentiates itself from, several strands in the literature on the conquest of India. Unlike the triumphant colonial official, we do not celebrate the virtues of British "good faith;" instead, we argue that the Company's institutional structure imposed just enough restrictions on the Company in India to moderate its bad faith and differentiate it from its Indian rivals. Unlike some nationalist historians we do not find Indian regimes' "disunity" short-sighted – we view this as a rational response in an environment where there were few mechanisms to make military commitments credible. The Company's military strength is, of course, central to virtually any discussion, including ours; we point out, however, that absent certain features of its organizational structure, its military strength could have been a disadvantage. Thus, by analyzing the role of commitment ability, which is at the heart of much recent literature in development and economic history (North 1990; Acemoglu, Johnson and Robinson 2001) we have provided a unified analysis that provides insights into a long-debated question.

6   References

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