

HISTORY
OF
BRITISH INDIA.

BOOK IV.

FROM THE ESTABLISHMENT, ON LEGISLATIVE AUTHORITY, OF ONE EXCLUSIVE COMPANY,
IN THE YEAR 1708, TILL THE CHANGE IN THE CONSTITUTION OF THE COMPANY, BY
THE ACT OF 13TH GEO. III. IN 1773.

CHAP. I.

*The Constitution of the East India Company, its practical Arrangements
for the Conduct of Business, and Transactions till the Conclusion of the
War with France by the Treaty of Aix-la-Chapelle.*

BY the union of the competitors for Indian commerce into one corporate body, and by the privilege of exclusive trade, founded on legislative authority, the business of the East India Company became regular and uniform. Their capital, composed of the shares of the subscribers, was a fixed and definite sum: Of the modes of dealing, adapted to the nature of the business, little information remained to be acquired: Their proceedings were reduced to an established routine, or a series of operations periodically recurring: A general description, therefore, of the plan upon which the Company conducted themselves, and a statement of its principal results, appear to comprehend every thing which falls within the design of a history of that commercial body, during a period of several years.

CHAP. I.
1708.

BOOK IV. When a number of individuals unite for the management of a common
1708. interest, common reason suggests, that they themselves should manage as much
as it is convenient for them to manage; and that they should make choice
of persons to execute for them such parts of the business as cannot be conve-
niently transacted by themselves.

Constitution of the East India Com-
pany. It was upon this principle that the adventurers in the trade to India originally
framed the constitution of their Company. They met in assemblies, which
were called Courts of Proprietors, and transacted certain parts of the common
business: And they chose a certain number of persons, belonging to their own
body, and who were called Committees,* to manage for them other parts of the
business, which they could not so well perform themselves. The whole of the
managing business, therefore; or the whole of the government, was in the
hands of,

- 1st. The Proprietors, assembled in general court;
- 2dly. The Committees, called afterwards the Directors, assembled in their
special courts.

At the time of the award of the Earl of Godolphin, power was distributed
between these assemblies, according to the following plan:

To have a vote in the Court of Proprietors, that is, any share in its power,
it was necessary to be the owner of 500*l.* of the Company's stock: and no addi-
tional share, contrary to a more early regulation, gave any advantage, or more
to any single proprietor than a single vote.

The Directors were twenty-four in number: No person was competent to be
chosen as a Director who possessed less than 2,000*l.* of the Company's stock:
And of these Directors one was Chairman, and another Deputy-Chairman, for
presiding in the Courts.

The Directors were chosen annually by the Proprietors in their General
Court; and no Director could serve for more than a year, except by re-election.

Four Courts of Proprietors, or General Courts, were held regularly in each
year, in the months of December, March, June, and September, respectively;
the Directors might summon Courts at other times, as often as they saw cause,
and were bound to summon Courts within ten days, upon a requisition signed
by any nine of the Proprietors, qualified to vote.

The Courts of Directors, of whom thirteen were requisite to constitute a
Court, were held by appointment of the Directors themselves, as often, and

* *Committees*; i. e. Persons to whom something is committed, entrusted.

HISTORY OF BRITISH INDIA.

at such times and places, as they might deem expedient for the dispatch of
affairs.*

CHAP. I.
1708.

According to this constitution, the supreme power was vested in the Court of Proprietors. In the first place it was vested, by means of the legislative power which the Court of Proprietors possessed entire: All laws and regulations, all determinations of dividend, all grants of money, were made by the Court of Proprietors; to act under these ordinances, and manage the business of routine, was the department reserved for the Court of Directors. In the second place, the supreme power was secured to the Court of Proprietors, by the important power of displacing annually the persons whom they chose to act in their behalf.

If, in this constitution, the Court of Proprietors be regarded as representing the general body of the people, the Court of Directors as representing an aristocratical senate, and the Chairman as representing the sovereign, we have an image of the British constitution; a system in which the different species of government, the monarchical, aristocratical, and democratical, are mixed and combined.

In the constitution, however, of the East India Company, so much power was allotted to the democratical part, that a small portion appears to have been reserved to the other two. Not only were the sovereignty and the aristocracy both elective, but they were elected from year to year; that is, were in a state of complete dependence upon the democratical branch. Nor was this all: no decrees, but those of the democracy, were binding, at least in the last resort; the aristocracy, therefore, and monarchy, were subordinate and subject. Under the common impression of democratic ambition, irregularity, and violence, it might be concluded that the democratic assembly would grasp at the whole of the power, would constrain and disturb the proceedings of the Chairmen and Directors, would deliberate with violence and animosity, and exhibit all the confusion, precipitation, and imprudence, which are so commonly ascribed to the exercise of popular power.

The actual result is extremely different from what the common modes of reasoning would prompt common minds to infer. Notwithstanding the power which, by the theory of the constitution, is thus reserved to the popular part of the system, all power has centered in the Court of Directors, and the government of the Company has been an oligarchy in point of fact. So far from meddling too much, the Court of Proprietors has not attended to the common

* Letters Patent, 10 Will. III., Collection of Charters, &c.

BOOK IV. 1708. affairs even sufficiently for the business of inspection : And the known principles of human nature abundantly secured that particular result. To watch, to scrutinize, to inquire, is labour ; and labour is pain. To confide, to take for granted that all is well, is easy, is exempt from labour, and, to the great mass of mankind, comparatively delightful. On all ordinary occasions, on all occasions which present not a powerful motive to action, the great mass of mankind are sure to be led by the soft and agreeable feeling. And if they who transact have only sufficient prudence to avoid those occurrences which are calculated to rouse the people for whom they transact, the people will allow them abundant scope to manage the common concerns in a way conformable to their own liking and advantage. It is thus that all constitutions, however democratically formed, have a tendency to become oligarchical in practice. The more numerous body, who constitute the democracy, see the objects of ambition at so great a distance ; and the competition for them is shared with so great a number, that in general they make but a feeble impression upon their minds : The small number, on the other hand, entrusted with the management, feel so immediately the advantages, and their affections are so powerfully engaged by the presence of their object, that they easily concentrate their views, and pour their energies with perfect constancy in the selfish direction. The apathy and inattention of the people, on the one hand, and the interested activity of the rulers on the other, are in politics two powers, the action of which may always be counted upon ; nor has the art of government as yet exemplified, however the science may or may not have discovered, any certain means by which the unhappy effects of that action may be prevented.*

Plan of Directors for the conduct of affairs. For conducting the affairs of the Company the Directors divided themselves into parties, called Committees ; and the business into as many separate shares.† The first Committee was the Committee of Correspondence, of which the

* Not in the East India Company alone ; in the Company of the Bank of England, the constitution of which is similar, oligarchy has always prevailed. Nor will the circumstances be found to differ in any joint stock association which the history of the British commerce presents to our view. So little does experience countenance the dangerous maxim, of the people's being always eager to grasp at too much power, that the great difficulty, in regard to good government, is, to get them really to exercise that degree of power, their own exercise of which is necessary for their protection.

† The following account is derived from an official report on the business of the Committees, called for by the Board of Control, and transmitted officially by the Court of Directors, of which the substance is given in Mr. Bruce's Historical View of Plans for the Government of British India, p. 600.

HISTORY OF BRITISH INDIA.

business was more confidential, as well as extensive, than that of any of the rest. Its duty was, to study the advices from India, and to prepare answers for the inspection of the Court of Directors: To report upon the number of ships expedient for the trade of the season, and the stations proper for each: To report upon the number of servants, civil and military, in the different stations abroad; on the demand for alterations, and the applications made for leave of absence, or leave to return: All complaints of grievances, and all pecuniary demands on the Company, were decided upon in the first instance by this Committee, which nominated to all places in the treasury, and in the secretary's, examiner's, and auditor's offices: It performed, in fact, the prime and governing business of the Company: The rest was secondary and subordinate.

CHAP. I.
1708.

The next Committee was that of Law-suits; of which the business was to deliberate and direct in all cases of litigation; and to examine the bills of law charges. It is not a little remarkable that there should be work of this description sufficient to engross the time of a committee.

The third was the Committee of Treasury. Its business was, to provide, agreeably to the orders of the Court, for the payment of dividends and interest on bonds; to negotiate the Company's loans; to purchase gold and silver for exportation; to affix the Company's seal to bonds and other deeds; to examine monthly, or oftener, the balance of cash; and to decide, in the first instance, on applications respecting the loss of bonds, on pecuniary questions in general, and the delivery of unregistered diamonds and bullion.

The Committee of Warehouses was the fourth. The business of importation was the principal part of its charge. It framed the orders for the species of goods of which the investment or importation was intended to consist: It had the superintendence of the servants employed in the inspection of the purchases; determined upon the modes of shipping and conveyance; superintended the landing and warehousing of the goods; arranged the order of sales; and deliberated generally upon the means of promoting and improving the trade.

The fifth was the Committee of Accounts; of whose duty the principal ingredients were, to examine bills of exchange, and money certificates; to compare advices with bills; to examine the estimates, and accounts of cash and stock; and to superintend the office of the accountant, and the office of transfer, that is, the office in which are effected the transfers of the Company's stock and annuities, and in which the foreign letters of attorney for that purpose are examined.

A committee, called the Committee of Buying, formed the sixth. Its busi-

Book IV. ness was to superintend the purchase and preparation of the standard articles
1708. of export, of which lead and woollens constituted the chief; to contract with
 the dyers and other tradesmen; to audit their accounts, and keep charge of the
 goods till deposited on board the ships for exportation.

The Committee of the House was the seventh, and its business was mostly of an inferior and ministerial nature. The alterations and repairs of the buildings, regulations for the attendance of the several officers and clerks, the appointment of the inferior servants of the House, and the control of the secretary's accounts for domestic disbursements, were included in its province.

The eighth Committee, that of Shipping, had the charge of purchasing stores, and all other articles of export, except the grand articles appropriated to the Committee of Buying; the business of hiring ships, and of ascertaining the qualifications of their commanders and officers; of distributing the outward cargoes; of fixing seamen's wages; of issuing orders for building, repairing, and fitting out the ships, packets, &c. of which the Company were proprietors; and of regulating and determining the tonage allowed for private trade to the commanders and officers of the Company's ships.

The ninth was the Committee of Private Trade; and its occupation was to adjust the accounts of freight, and other charges, payable on the goods exported for private account, in the chartered ships of the Company; to regulate the indulgences to private trade homeward; and, by examining the commanders of ships, and by other inquiries, to ascertain how far the regulations of the Company had been violated or obeyed.

The tenth Committee was of a characteristic description. It was the Committee for preventing the growth of Private Trade. Its business was to take cognizance of all instances in which the license, granted by the Company for private trade, was exceeded; to decide upon the controversies to which the encroachments of the private traders gave birth; and to make application of the penalties which were provided for transgression. So closely, however, did the provinces of this and the preceding Committee border upon one another; and so little, in truth, were their boundaries defined, that the business of the one was not unfrequently transferred to the other.

Other transactions respecting the employment of troops and the government of territory, required additions to the system of Committees, when the Company afterwards became conquerors and rulers. But of these it will be time to speak when the events arrive which produced them.

The Chairmen, as the name imports, preside in the Courts, whether of Di-

HISTORY OF BRITISH INDIA.

rectors or Proprietors ; they are the organs of official communication between the Company and other parties, and are by office members of all the Committees.

CHAP. I.
1708.
Articles and
amount of the
Company's ex-
port trade.

The articles in which the export branch of the Indian trade has all along consisted are bullion, lead, quicksilver, woollen cloths, and hardware, of which the proportions have varied at various times.

The official value of all the exports to India for the year 1708, the year in which the union of the two Companies was completed, exceeded not 60,915*l*. The following year it rose to 168,357*l*. But from this it descended gradually till, in the year 1715, it amounted to no more than 36,997*l*. It made a start, however, in the following year ; and the medium exportation for the first twenty years, subsequent to 1708, was 92,288*l*. per annum.* The average annual exportation of bullion during the same years was 442,350*l*.

The articles of which the import trade of the East India Company chiefly consisted, were calicoes and the other woven manufactures of India ; raw silk, diamonds, tea, porcelain, pepper, drugs, and saltpetre. The official value of their imports in 1708 was 493,257*l*. ; and their annual average importation for this and the nineteen following years was 758,042*l*. At that period the official value assigned to goods at the Custom House differed not greatly from the real value ; and the statements which have been made by the East India Company of the actual value of their exports and imports for some of those years, though not according with the Custom House accounts from year to year, probably from their being made up to different periods in the year, yet on a sum of several years pretty nearly coincide.† The business of sale is transacted by the East India Company in the way of auction. On stated days, the goods, according to the discretion of the Directors, are put up to sale at the India House ; and transferred to the highest bidder.

At first the Company built and owned the ships employed in their trade. But in the progress and sub-division of commerce, ship-owning became a distinct branch of business ; and the Company preferred the hiring of ships, called chartering. It was in hired or chartered ships, accordingly, that from this time the trade of the Company was chiefly conveyed ; and a few swift-sailing vessels, called packets, more for the purpose of intelligence than of freight, formed, with

* Custom House accounts. See Sir Charles Whitworth's Tables, p. 9.
† Try, for example, the sum of the exports for twenty years from 1710, in Sir Charles Whitworth's Tables, and that in the Company's accounts ; the table, for instance, No. 7, in the Appendix to Mr. Macpherson's History of European Commerce with India. See too, the averages in Bruce's Historical View of Plans for British India, p. 295.

Book IV. some occasional exceptions, the only article of shipping which they properly
1708. called their own. This regulation set free a considerable portion of the funds
or resources of the Company, for direct traffic, or the simple transactions of buy-
ing and selling.*

Mode in which
the business of
the Company
was transacted
in India. That part of the business of the Company which was situated in India, was
distinguished by several features which the peculiar circumstances of the country
forced it to assume. The sale indeed of the commodities imported from Europe,
they transacted in the simplest and easiest of all possible ways; namely, by
auction, the mode in which they disposed of Indian goods in England. At the
beginning of this trade, the English, as well as other European adventurers,
used to carry their commodities to the interior towns and markets, transporting
them in the hackeries of the country; and established factories or warehouses,
where the goods were exposed to sale. During the confusion, however, which
prevailed, while the empire of the Moguls was in the progress of dissolution,
the security which had formerly existed, imperfect as it was, became vastly
impaired; and, shortly after the union of the two Companies, it was adopted as
a rule, not to permit any of the persons in their service, or under their jurisdic-
tion, to remove far into the inland country, without leave obtained from the
Governor and Council of the place to which they belonged. According to this
plan, the care of distributing the goods into the country, and of introducing
them to the consumers, was left to the native and other independent dealers.

For the purchase, collection, and custody of the goods, which constituted
the freight to England, a complicated system of operations was required. As the
state of the country was too low in respect of civilization and of wealth, to
possess manufacturers and merchants, on a large scale, capable of executing
extensive orders, and delivering the goods contracted for on pre-appointed days,
the Company were under the necessity of employing their own agents to collect
throughout the country, in such quantities as presented themselves, the different
articles of which the cargoes to Europe were composed. Places of reception
were required, in which the goods might be collected, and ready upon the
arrival of the ships, that the expense of demurrage might be reduced to its lowest
terms. Warehouses were built; and these, with the counting houses, and other
apartments for the agents and business of the place, constituted what were called
the factories of the Company. Under the disorderly and inefficient system of
government which prevailed in India, deposits of property were always exposed,

* Ninth bye-law of the Company, in Russel's Collection of Statutes.

HISTORY OF BRITISH INDIA.

either to the rapacity of the government, or under the weakness of the government to the hands of depredators. It was always therefore an object of importance to build the factories strong, and to keep their inmates armed and disciplined for self-defence, as perfectly as circumstances would admit. At an early period the Company even fortified those stations of their trade, and maintained professional troops, as often as the negligence permitted, or the assent could be obtained, of the Kings and Governors of the countries in which they were placed.

CHAP. I.
1708.

Of the commodities collected for the European market, that part, the acquisition of which was attended with the greatest variety of operations, was the produce of the loom. The weavers, like the other laborious classes of India, are in the lowest stage of poverty, being always reduced to the bare means of the most scanty subsistence. They must at all times, therefore, be furnished with the materials of their work, or the means of purchasing them; and with subsistence while the piece is under their hands. To transact in this manner with each particular weaver, to watch him that he may not sell the fabric which his employer has enabled him to produce, and to provide a large supply, is a work of infinite detail, and gives employment to a multitude of agents. The European functionary, who, in each district, is the head of as much business as it is supposed that he can superintend, has first his banyan, or native secretary, through whom the whole of the business is conducted. The banyan hires a species of broker, called a gomastah, at so much a month: The gomastah repairs to the auring, or manufacturing town, which is assigned as his station; and there fixes upon a habitation, which he calls his cutchery: He is provided with a sufficient number of peons, or sort of armed servants; and hircarahs, messengers or letter carriers, by his employer: These he immediately dispatches about the place, to summon to him the dalláls, pycárs and weavers. The dalláls and pycárs are two sets of brokers; of whom the pycárs are the lowest, transacting the business of detail with the weavers; the dalláls again transact with the pycárs; the gomastah transacts with the dalláls, the banyan with the gomastah, and the Company's European servant with the banyan. The Company's servant is thus five removes from the workman; and it may easily be supposed that much collusion and trick, that much of fraud towards the Company, and much of oppression towards the weaver, is the consequence of the obscurity which so much complication implies.* Besides his banyan, there is attached to the European

* The obstinate adherence of the natives to their established customs, renders it not easy to
VOL II. C

BOOK IV. agent a mohurree, or clerk, and a cash keeper, with a sufficient allowance of
1708. peons and hircarabs. Along with the gomastah is dispatched in the first in-
stance as much money as suffices for the first advance to the weaver, that is,
what is requisite to purchase the materials, and to afford him subsistence during
part at least of the time in which he is engaged with the work. The cloth,
when made, is collected in a warehouse, adapted for the purpose, and called a
kattah. Each piece is marked with the weaver's name; and when the whole
is finished, or when it is convenient for the gomastah, he *holds a kattah*,
as the business is called, when each piece is examined, the price fixed, and the
money due upon it paid to the weaver. This last is the stage at which chiefly
the injustice to the workman is said to take place; as he is then obliged to
content himself with fifteen or twenty, and often thirty or forty per cent.
less than his work would fetch in the market. This is a species of traffic
which could not exist but where the rulers of the country were favourable
to the dealer; as every thing, however, which increased the productive powers
of the labourers added directly in India to the income of the rulers, their
protection was but seldom denied.

Plan of the
Company's
government
in India.

The business of India was at this time under the government of three Presi-
dencies, one at Bombay, another at Madras, and a third at Calcutta, of which
the last had been created so lately as the year 1707, the business at Calcutta
having, till that time, been conducted under the government of the Presidency
of Madras. These Presidencies had as yet no dependance upon one another;
but each was absolute within its own limits, and responsible only to the Com-
pany in England. A Presidency was composed of a President or Governor, and
a Council; both appointed by commission of the Company. The Council was
not any fixed number, but determined by the views of the Directors; being
sometimes nine, and sometimes twelve, according to the presumed importance
or extent of the business to be performed. The Members of the Council were
the superior servants in the civil or non-military class, promoted according to
the rule of seniority, unless where directions from home prescribed aberration.

quit the track which on any occasion they have formed; and under the ignorance of their manners
and character which distinguishes the greater proportion of the Company's servants, it would be
mischievous to attempt it. Where the agent however is intelligent, and acquainted with the lan-
guage and manners of the people, he does simplify and improve the business to a certain degree;
and were it performed by men who had an interest to establish themselves in the country, and who
would make it a business, it would gradually acquire that rational form which the interests of a
rational people would recommend.