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TRADE AND FINANCE
IN COLONIAL INDIA
1750 – 1860

Edited by

ASIYA SIDDIQI

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General Editors' Preface

This book examines debates about the Indian commercial world, especially external trade during the first century of colonial rule. The British position in India was established through the exchange of bullion for Indian goods. The institutions that were created to maintain this trade after the Company reduced its import of bullion were essential to the mechanism of the Empire in India and an important element in the domestic British financial structure. As a result they were highly controversial, throwing up a substantial body of contemporary argument and data, much of which was enshrined in the *British Parliamentary Papers*.

In the latter part of the nineteenth century the main lines of debate were already in place. British apologists argued that whatever disruption traditional weaving had suffered from manufactured imports, or traditional trade from the declining import of precious metals, the British presence had guaranteed India's participation in much wider patterns of Eurasian trade and had brought her the benefits of modern business practice. Spokesmen of the emerging nationalist movement argued, by contrast, that India's position in world trade was grossly inequitable as a result of the pressure of the 'tribute' paid to Britain on her export performance, and the density of British financial and export institutions, which disadvantaged Indian entrepreneurs.

As these selections show, recent historians have been concerned about fine tuning such arguments and discovering new data to show precisely how the Indo-European commercial relationship impacted on trade and entrepreneurship within India and on inter-Asian trade. An important aspect of their work has been the analysis of the succession of trade crises which shook the Indian trading world between 1757 and 1860.

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Introduction

Trade and Finance 1750–1860*

ASIYA SIDDIQI

Studies of India's trade during the period of imperial expansion, from the mid-eighteenth century onwards, have been dominated by the theme of foreign trade and, in particular, trade with Great Britain. The English East India Company was primarily a trading body; through territorial expansion, it became a governing power. Trade, trading capital and markets, both within and beyond India, continued to be the Company's abiding concerns. But the acquisition of territorial dominion formed the basis of an increasingly complex network of control that involved such matters as the respective interests of the Company on the one hand, and private European traders on the other, the appropriation of territorial revenue for commercial purposes, and the intricacies of money and bullion flows.

The Company's conquest of Bengal was preceded by three hundred and fifty years of active European commerce with India. During this time, structures of trade and institutions for procuring goods and raising credit had been built which brought Europeans into contact with Indian middlemen and producers. Many of these institutions and contacts continued

* I am grateful to the University Grants Commission, the Indian Council of Historical Research, the Indian Council of Social Science Research and the Dorabji Tata Trust which supported the research on which this introduction is based. For access to manuscripts and use of library facilities, I am grateful to the Honourable Chief Justice, the High Court of Bombay, the trustees, Jardine Matheson Archive, Cambridge, the directors and staff of the Maharashtra State Archives and the National Archives of India, the librarian and staff of the Library, University of Bombay, and the staff of the University Library, Cambridge.

after the conquest and had, as we shall see, important implications for the terms on which trade took place. But the conquest itself had far-reaching consequences in establishing commercial dominance. In observing these consequences we are led to question portrayals of the continuity of commercial life well into the nineteenth century. Control of commercial resources that political power conferred thus lies at the centre of the trade history of these years.

These issues were subjected to extensive examination by the authorities of the East India Company and the British parliament. The literature that resulted from this effort, together with the records of the Company in India, has been, ever since, the mainstay of Indo-British historiography. In addition, there are pamphlets and tracts written by persons involved or interested in the affairs of the Company. Besides English material, important information is found in the records of the other European companies that traded with India, notably the Dutch, French and Danish, as well as in those of the Portuguese colonies in India. It is not surprising that India's trade connections with Europe, and especially Great Britain, should occupy a central place in the literature, as compared to the lesser documented direct trade with other regions, and as compared to the richly documented but less tractable realm of inland trade. Understandably too, contemporary attention tended to focus on aggregate figures of the Company's trade and this bias has carried over to historiography.

The Company's growing wealth and influence gave it an important place in British public life. Its detractors were as envious of its power and patronage as they were critical of the manner in which that power was exercised. Often its antagonists were drawn from groups which were themselves intimately connected with its activities. Among these, for instance, was the 'shipping interest', itself riven by rival factions, whose function had been to supply ships to the Company. Others, notably private traders anxious to extend their trade with India, and British manufacturers keen to develop markets for their goods, joined hands in assailing the Company's monopoly.

The politics of the Company in England are the central

concern of important studies by C.H. Philips and Lucy Sutherland.¹ An associated issue is the part played by the trade with India in fostering private fortunes in Great Britain, an issue P.J. Marshall has explored.² In examining the careers of Englishmen in eighteenth-century Bengal, Marshall describes inland markets in Bengal and the way they were penetrated.³

THE AFTERMATH OF PLASSEY

Soon after Plassey, the Company succeeded in getting the upper hand over its European rivals in India. By the end of the century, the other companies were heavily dependent upon the private fortunes of Englishmen for raising their capital. The transfer of these fortunes to Europe became an important part of their business, while their leading members were investing in the English company's stock, known to give the best dividends.⁴

The question whether the Company likewise subordinated Indian merchants and financiers is more elusive, both as to the timing of the process, and to regional variation. The view that indigenous merchants were drastically subordinated following Plassey is perhaps influenced by the experience of Bengal, and even there the matter requires deeper probing. Linked to it are issues concerning the particular character of indigenous markets and credit institutions and the manner in which the Company and private European merchants sought to utilize these institutions in order to raise credit, procure goods or transfer revenue. The evidence for the existence of well developed markets in eighteenth-century India which could perform these functions is so abundant, that the point need not be laboured.

¹ C.H. Philips, *The East India Company 1784-1834* (Manchester, 1940). Lucy S. Sutherland, *The East India Company in Eighteenth Century Politics* (Oxford, 1952).

² P.J. Marshall, *East Indian Fortunes. The British in Bengal in the Eighteenth Century* (Oxford, 1976).

³ Marshall, this selection.

⁴ See Holden Furber, *John Company at Work, A Study of European Expansion in India in the Late Eighteenth Century* (Cambridge, 1951), pp. 79-80, 108-59 (hereafter Furber 1).

In Malabar, it would appear, as against what happened in earlier wars, it was severe and prolonged destruction in the course of the second Mysore war, and in the years following the defeat of Tipu, that irretrievably damaged indigenous networks of trade and credit. Money that had earlier been invested in the inland and coastal trade of Indians, now became available to private European merchants.⁵

Further north, in Bombay and Gujerat, Indian merchants and financiers seem to have enjoyed a greater measure of independence for a longer time.

The years between 1757 and 1813, marked both the high point of the Company's monopoly, and the beginning of the end of that monopoly. Aggregate trade figures for the earlier period are not readily available. But there is little doubt that the volume of trade expanded considerably, while its commodity composition retained, in the main, its pre-Plassey character in that textiles continued high on the list of exports.⁶ In this period of the heyday of Company rule, it would seem, India's traditional handloom industry was not directly threatened with competition. Nevertheless, the terms of trade for producers worsened noticeably. Unlike weavers in Bengal in the early eighteenth century, who were often able to bargain for favourable terms for their goods, their successors after the conquest, in common with other producers, were openly coerced by the Company and European traders and their agents.⁷ This was true also of weavers in other important textile centres such as Coromandel. The worsening of the terms of trade for producers of export goods was accentuated by the fact that, by the end of the eighteenth century, the English Company, having eliminated its European rivals, enjoyed a monopsonistic position.⁸ Coercion at

⁵ Ruchira Banerjee, 'The Mercantile Network of Malabar 1760-1800' (Ph.D. thesis, Bombay University, 1994), chapter 9.

⁶ For figures of exports from Bengal, 1795-1806, see Dharma Kumar (ed.), *The Cambridge Economic History of India*, vol. 2 (Cambridge, 1984), p. 821 (hereafter CEHI, 2).

⁷ CEHI 2, pp. 287-9; N.K. Sinha, *The Economic History of Bengal*, vol. 1 (Calcutta, 1956), p. 146 *et seq.*

⁸ For Coromandel, see S. Arasaratnam, 'Weavers, Merchants and Company: The Handloom Industry in South India 1750-1790', in Sanjay Subrahmanyam (ed.), *Merchants, Markets and the State in Early Modern India* (Delhi, 1990),

the official level was exercised also in the shape of monopolies, instituted in 1772 and 1773, on the sale of salt and on the production and sale of opium in Bengal. Through the monopoly on saltpetre, imposed from 1793 to 1811 and again from 1813 to 1814, the Company achieved the twin objectives of engrossing a profitable commodity and controlling a strategic war material. Besides monopolies, inland transit duties were imposed on Indian goods, while English goods were free of duty until as late as 1848.⁹

Thus war and dominion had far reaching consequences in establishing British commercial hegemony. They facilitated direct control of the market and, in places, made available credit displaced from indigenous trade channels that had been disrupted by warfare.

In the period up to 1813, while many of the earlier staples of the export trade continued, industrial raw materials, such as raw silk and cotton, were also prominent. Significant too, among exports, was opium, which rapidly acquired a central position in the scheme of imperial trade and finance.

Soon after the Company acquired the *diwani*, the right to receive the revenue of Bengal, in 1765, it stopped importing bullion. This singular move proclaimed the reality of the transfer of power. It set in motion a series of developments that Furber has described as a 'commercial revolution'.¹⁰ The revolution consisted in the establishment of British ascendancy in the 'country', or inter-Asian maritime trade, and its restructuring to Britain's advantage. This trade included all of Indian Ocean trade and trade with China, as well as sea-borne trade along the coast of India.¹¹

pp. 203-11. (hereafter Subrahmanyam, *Merchants*). See also, P. Sudhir and P. Swarnalatha, 'Textile Traders and Territorial Imperatives: Masulipatnam, 1750-1850', in *The Indian Economic and Social History Review* (hereafter IESHR), 1992, vol. xxix, p. 2.

⁹ See Borpujari, this selection.

¹⁰ Furber 1, p. 162 *et seq.*

¹¹ 'Country' trade, was of course distinct from inland trade. The distinction is not always clearly made. Cf. C.A. Bayly, *Rulers, Townsmen and Bazaars North Indian Society in the Age of British Expansion, 1770-1870* (Cambridge, 1983), p. 229 (hereafter Bayly, *Rulers*); and C.A. Bayly, *The New Cambridge History of India* II.1 (Cambridge, 1988), p. 46. For 'country' trade see Furber 1, chapter v,

i) *Country Trade*

Certain areas of inter-Asian trade, as late as the mid-eighteenth century, may well have been small scale 'peddling' business, as Van Leur has called them.¹² But often, they involved bulk commodities and the scale of operations, as Van Leur concedes, could be considerable. Recent research has confirmed that bulk goods of common consumption, such as food grains, often occupied a considerable place in this trade.¹³ However, the importance of this trade, so far as Asian countries were concerned, must be reckoned in terms not of the size of enterprise alone, but of the fact that it represented structures of exchange that were integrated with patterns of regional production and consumption. This was certainly true of the trade between the east and west coasts of India.

A considerable trade between the two coasts had long been in existence. In the seventeenth and eighteenth centuries, a mutually advantageous trade had developed between Bengal and Gujerat. The flourishing cotton handloom industry of Bengal, fuelled partly by burgeoning exports from the late seventeenth century onwards, required raw cotton over and above what Bengal herself produced. She imported the surplus cotton of Gujerat, which in turn drew its supplies of raw silk from Bengal, to feed its prominent silk weaving centres, Ahmedabad, Surat, Navsari and Broach. Bengal also exported sugar to Gujerat, a region with high population density, and perhaps also a considerable middle class, therefore a good market for this luxury.¹⁴ These commodities were carried around the peninsula by sea, a mode of transport much cheaper than land carriage. The shippers were generally Indian or other merchants of Asian origin,

and Furber, *Rival Empires of Trade in the Orient* (Minneapolis, 1976), chapter 6, (hereafter Furber 2). There are vivid descriptions of this trade in two older works: W.H. Coates, *The Old 'Country Trade' of the East Indies* (London, 1911); and C.N. Parkinson, *Trade in the Eastern Seas 1793-1813* (Cambridge, 1937).

¹² J.C. Van Leur, *Indonesian Trade and Society* (The Hague, 1955).

¹³ Cf. S. Subrahmanyam, 'The Portuguese, the Port of Basrur, and the Rice Trade, 1600-50', in Subrahmanyam, *Merchants*.

¹⁴ For population density in Gujerat, see Irfan Habib, *An Atlas of the Mughal Empire* (Delhi, 1982), ch. XIV-XV.

notably Armenian, Persian or Gujerati, located at Indian ports. The freighters were often independent European adventurers, described as 'country captains', as well as Asians, who lost ground to the former in the course of the eighteenth century.¹⁵ Maritime dominance, in which the British surpassed their European rivals, paved the way for commercial dominance.

Being largely a barter trade, inter Indian coastal trade did not involve exchange of bullion to any great extent.¹⁶ Very different was the case with the trade with Europe and with west Asia.

ii) *Treasure*

In the sixteenth and seventeenth centuries, west Asian markets were among the most important for Indian import of bullion, outstripping perhaps the amounts brought in by European traders. But in the early eighteenth century, west Asian trade languished because of political unsettlement, while the trade with Europe expanded.¹⁷ At mid century therefore, it was the Europeans who imported the bulk of treasure, mainly south American silver, in order to buy their cargoes of Indian goods. The English East India Company alone imported £ 700,000 to £ 1,000,000 each year.¹⁸ The necessity of having to do so was not free from problems. Often silver had to be procured at competitive prices. Besides, export of bullion invited criticism from the Company's opponents at home. A welcome alternative, once it gained access to the revenue of Bengal, was to use silver received as revenue to finance its trade. Not merely did the Company stop importing silver, it began to export silver to China in order to purchase its cargoes of tea and silk, and to ship it to its settlements at Bombay and Madras.

Bengal was particularly hard hit by the resulting scarcity of

¹⁵ Furber 2, pp. 276-7; Furber 1, p. 186.

¹⁶ Ashin Das Gupta, *Malabar in Asian Trade 1741-1800* (Cambridge, 1967), pp. 97-8 (hereafter Das Gupta 1).

¹⁷ Irfan Habib and Tapan Raychaudhuri (eds), *The Cambridge Economic History of India*, vol. 1, pp. 417, 432 (hereafter CEHI 1).

¹⁸ CEHI 2, p. 814.

silver, as contemporaries such as James Steuart noticed.¹⁹ It disrupted trade and cut into the incomes of producers. This man-made affliction, moreover, compounded a series of natural calamities: a devastating earthquake in 1762, drastic riverine changes that dislocated earlier markets, and years of drought that culminated in the famine of 1770.²⁰ The picture of the rape of Bengal raises a question, not easily answered, concerning the differing experience of other parts of India, notably Bombay and the western region.²¹ Why was it here the British found it less easy to control production, merchants, and markets? Of course, even in Bengal there were outer limits. It soon became obvious the drain of silver could not be continued indefinitely and that the Company would have to find alternative ways of raising capital.

iii) *Changing patterns of trade*

The Dutch were perhaps the first among Europeans to participate in inter-Asian trade with the object of generating trading capital, if we are to go by the testimony of Jan Schreuder, chief of the Dutch factory at Surat from 1740 to 1750. To this end, Schreuder advised his masters to import to Surat a variety of Asian goods: sugar, Japanese bar copper, spices, tin, lead. All of these could be sold profitably, 'at least if Surat is not ruined completely', he declared, sensing the decline that threatened the city.²² The biggest gains from country trade were, of course, reaped not by the Dutch but by the English.

The two commodities that came to dominate British inter-Asian trade were cotton and opium. Both originated in India and the larger portion was exported to China where the proceeds of the sale were used by the Company to buy its cargoes of tea and

¹⁹ Steuart, this selection.

²⁰ Radhakamal Mukherji, *The Changing Face of Bengal. A Study in Riverine Economy* (Calcutta, 1938), pp. 183-204.

²¹ Cf. Siddiqi, this selection.

²² Jan Schreuder, 'Memorie', 30 Sept. 1750. *Kolonial Archief* (The Hague), Collectie Hoge Regering, p. 838 (hereafter Schreuder). (I am very grateful to Dr Kanaklatha Mukund for translating this manuscript for me).

silk. Ships returning from China were generally hard put to find return cargo. They often picked up a variety of goods of the 'peddling' kind: cochineal and alum, both used in cloth printing in India, cassia, rhubarb and tutenag, and also Chinese porcelain, popular among the well-to-do, and still to be seen in the old homes and antique shops of Bombay and Calcutta. This low key business brought Indian traders into contact with Chinese 'shopmen' at Canton, was barely regulated, and frequently gave rise to friction. On one occasion, a number of these 'shopmen' complained to the Superintendent of the Company's factory at Canton that four Bombay merchants, trading in Canton, owed them large sums of money. 'Mamatshale' (Mohammad Salay?) owed \$63,573, 'Chawtsong-tsei' (Jamsetjee?) owed \$38,6867, 'Momattale' (Mohammad Ali?) owed \$6,137, and 'Ettowmanche' (Eduji?) \$7,143. The first, they declared, 'now lives at No. 6 in the Chowchon Factory', a reference almost certainly to the so-called 'Miscellaneous Factory' situated next to the old English factory. The other three had surreptitiously set sail for Bombay in the night.²³ Such incidents may well have reflected a changing balance of power at Canton. Indians at the port were reckoned subjects of the Company, which, along with the merchants associated with it, was acquiring an overweening presence.

The most important bulk commodity that country ships took back from the east to India was sugar, the greater portion of it loaded by returning ships at Manila and Batavia. Sugar was useful as ballast, and sold well. It was landed at Bombay and thence sent on mainly to markets in Gujerat. Sugar, cotton and

²³ 'A Representation of the Shopmen Mooyshing and others . . . ' Enclosure, John Jackson, Secretary President and Select Committee, Canton, to William Newnham, Chief Secretary, Government of Bombay, 24 Dec. 1828, Commercial Department, 1830, vol. 50, pp. 1-6, Maharashtra State Archives (hereafter MSA). Cf. Immanuel C.Y. Hsii, *The Rise of Modern China* (Oxford University Press, 1975), p. 194.

Europeans tended erroneously to identify all Bombay merchants as Parsis, an error Greenberg has perpetuated. The Bombay merchant community was in fact more representative. For instance, of the forty-four merchants who signed a petition to the government of Bombay in 1829, all of whom Greenberg calls 'Parsees', eighteen were Hindus, Jains and Muslims. M. Greenberg, *British Trade and the Opening of China* (Cambridge, 1951), p. 177. The petition is cited in Siddiqi, this selection.

opium, as well as silk, each in its own way, served to realign the 'country' trade. An important consequence of this was a decline in the trade between Bengal and the west coast. By 1793, this trade had been reduced to a quarter of what it had been in the middle of the century.²⁴ Sugar brought back by the China ships almost completely drove out Bengal sugar from Bombay and the west coast by about 1776.²⁵ Bengal raw silk imports to Gujerat also sharply declined at about the same time. After the conquest of Bengal, the region's raw silk began increasingly to be exported to Europe, the Company playing a prominent part in promoting this trade. Piecegoods from Bengal too, which earlier used to be exported to Surat in considerable quantities, now went to Europe.²⁶ The Company and private Bombay traders were also directly involved in exporting Gujerat cotton. By the late 1760s, so the Dutch alleged, the English had established a monopoly of this trade, buying cotton at very low prices at Surat and selling it at prices they dictated to merchants at Calcutta.²⁷ Gujerat cotton was being exported in even larger quantities to China. In the closing years of the century, the agents of the Bombay government and private traders were scouring the Gujerat countryside for cotton to be loaded on ships sailing out from Bombay to Canton.²⁸ Indeed the annexation of Gujerat by the Company was prompted, in part, by the wish of the Bombay government, with pressure from the European merchants, to control supplies not only of piecegoods but also those of raw cotton.²⁹

The opium trade came to have even wider linkages. We shall notice more closely the parameters both of the opium trade and the cotton trade.

Clearly, an important consequence of the re-routing of the

²⁴ Furber 1, p. 182.

²⁵ *Ibid.*, p. 164.

²⁶ *Ibid.*, p. 63.

²⁷ Das Gupta 1, p. 97.

²⁸ For increases in exports of cotton from Bombay to China, see E.H. Pritchard, *The Crucial Years of Anglo-Chinese Relations 1750-1800* (Washington, 1936), pp. 393, 402.

²⁹ P. Nightingale, *Trade and Empire in Western India 1784-1806* (Cambridge, 1970), p. 179 *et seq.*

'country' trade, one that has received inadequate attention in the literature, was the dislocation of earlier inter-regional trade and the implications of this for the economy as a whole as expressed not just in trade but also in production, consumption and incomes. For instance, Bengal was deprived of its supply of Gujerat cotton. She was induced to draw cotton from inland sources, such as the Deccan.³⁰ Where this entailed carriage by land, the cost of transport may well have been higher.³¹ This must have put up the price of Bengal piecegoods some time before they encountered the fierce competition of Lancashire. Gujerat's silk industry perhaps suffered even more severely, being dependent entirely upon import for its raw material. The waywardness of this supply arose from the fact that Bengal raw silk tended to find its way to Europe whenever the latter's primary source, namely Italian silk, was deficient. Before the century was out, Gujerat's specialized centres of fine silk textiles were in decay.

The increasing importance of silk, cotton and opium on the export list was portentous. Early in the nineteenth century, as is well known, primary products stole the ground altogether from India's dominant export, handwoven textiles.

END OF MONOPOLY; EXPANSION OF TRADE

Following the curtailment of the Company's trade monopoly—the Charter Act of 1813 limited the monopoly to trade with China while that with India became free—a dramatic expansion took place in the total volume of India's overseas trade. Simultaneously, there was a significant shift in the commodity

³⁰ Furber 1, p. 164.

³¹ The cost of transport, weight for weight, by boat on the Ganges was reckoned to be twenty-eight times cheaper than that by land. J. Crawford, 'A Sketch of the Commercial Resources and Monetary and Mercantile Systems of British India, and suggestions for their improvement, by means of Banking Establishments (1837)' in K.N. Chaudhuri (ed.), *The Economic Development of India under the East India Company 1814-58* (Cambridge, 1971), p. 237 (hereafter Chaudhuri, *Ec. Dvpt.*).

composition of trade. Imports consisted increasingly of manufactured goods, prominent among which were the products of Lancashire, cotton yarn and textiles. In the first three decades of the nineteenth century, Indian piecegoods more or less disappeared from the list of exports. Their place was taken by opium, raw cotton, raw silk, indigo, and sugar.³² Three of these items, it will be noticed, were raw materials for the British textile industry.

A novel feature at the same time made its appearance, namely, the occurrence of frequent booms and depressions in India's foreign trade. This has often been explained in terms of a time lag between the level of investment in an export commodity and a change in demand for it in the market abroad, more so where means of communication were slow and the market predominantly a single one, namely Britain. It is also postulated that primary produce exports, were particularly vulnerable in the event of a fall in overseas demand.³³

It is certainly noticeable that some early-nineteenth-century depressions were the consequence of buoyant investment in response to overseas demand and the subsequent unanticipated contraction of demand. Such was the depression in Bundelkhand following a drop in the demand for Indian cotton in the early 1820s.³⁴ Even more disastrous was the deep depression that gripped many parts of northern India triggered by overproduction of indigo for export.³⁵ Short term demand/supply factors in the overseas market almost certainly began to have an increasing impact on India's overseas trade. But these factors do not wholly explain longer term trends, such as the prolonged trough evident particularly in northern India in the early nineteenth century. We shall consider this issue in the context of the country's terms of overseas trade during this period.

³² CEHI, 2, pp. 842, 846, 857.

³³ Cf. Chaudhuri, *ibid.*, p. 826.

³⁴ A. Siddiqi, *Agrarian Change in a Northern Indian State, Uttar Pradesh 1819-1857* (Oxford, 1973), pp. 136-7 (hereafter Siddiqi, *Agrarian Change*).

³⁵ *Ibid.*, pp. 150-3.

i) Cotton

We have noticed the export of raw cotton to China. An important object of this trade, where the Company was concerned, was to obtain the funds it needed in Canton with which to purchase its cargoes of tea. Since China herself produced cotton, the market for Indian cotton in China tended to fluctuate with the output of the local crop. In consequence, there was an in-built instability in India's cotton trade with China.

The earliest Indian cotton exports to China went back to the early eighteenth century.³⁶ The element of instability was a pronounced feature also of a market of more recent origin, in Britain, that had developed at the end of the century. Indeed it may not be inappropriate to describe Indian cotton exports to Britain as a 'satellite' trade, particularly useful to British industry. Britain's primary source of cotton throughout was North America. However at times when the American supply was cut off because of political reasons, or when the price of American cotton was excessive on account of shortfall in production, she invariably resorted to Indian cotton.³⁷ In short, while Britain was assured of a steady supply of cotton, India was never able to develop a stable cotton market in Britain.

Perhaps because of the way the cotton trade was organized, involving a large number of transactions from the points of production to the port towns, it generated a relatively high degree of velocity of the circulating media compared, for instance, with the Malwa opium trade.³⁸

As with cotton, so with silk, indigo, sugar and opium, overseas demand exercised a spontaneous response among Indian producers who, with the exception perhaps of the opium cultivators of Bihar and, to a lesser extent, the indigo growers of northern India, were essentially 'free'.

³⁶ E.H. Pritchard, *Anglo-Chinese Relations during the Seventeenth and Eighteenth Centuries* (Urbana, 1930), p. 124.

³⁷ Marika Vicziany, 'The Demand for Indian Cotton 1855-75: A Re-examination Based on a Regression Analysis' in *Bulletin of Quantitative and Computer Methods in South Asian Studies*, no. 2 (London, 1974).

³⁸ Cf. Vicziany, this selection.

ii) *Opium*

The two outlets for Indian opium were Calcutta and Bombay. But for small amounts shipped to Malaysia and Indonesia, these exports were destined for China. Bengal opium was managed as a state monopoly. The government gave out loans to the cultivators, brought the product to Calcutta and there auctioned it each month, generally well above the cost price, to private merchants who shipped it to China. The Bombay government made an attempt, if not to control the cultivation of central India opium, at least to manage its sale through auction. In this it failed because of the financial clout of Indian merchants in the inland markets. In 1831 it instituted an export duty on opium shipped from Bombay. Periodically hiked, the duty became an important source of revenue for the Bombay government, as did the Calcutta opium auctions for the government of Bengal.³⁹

We have mentioned that the initial object of the Company in promoting the export of opium was not to get revenue so much, as foreign exchange for its China trade. As the import of opium was illegal in China, the Company preferred not to trade in it directly. It achieved its objective by encouraging private merchants, both Indian and European, to engage in the trade and hand over the proceeds of their sales to its representative in Canton. The latter repaid the merchants through bills on the Indian government and on the Court of Directors in London. In this way, the trade served to promote the circulation of international bills of exchange, an important development of this period. A close bond was thus fostered between the Company and private traders, now organized as 'agency houses', with their head offices at the port cities.

Where India was concerned, moreover, the opium trade very soon acquired another important function. It flourished so well that, before long, opium sales at Canton yielded sums in excess of the Company's requirements. The surplus began to be remitted to India on account of private shippers. Much of this was in silver. Thus a reverse flow of silver to India was generated.⁴⁰

³⁹ See Siddiqi, this selection.

⁴⁰ See A. Siddiqi, 'Money and Prices in the Earlier Stages of Empire: India

China bore the burden of the expansion of the opium trade, in human degradation and outflow of silver. For, a striking feature of the opium trade was its highly elastic demand. So long as consumption was sustained and spread, the drug could always be sold. Consequently, when the Canton market showed signs of saturation, leading British merchants and Christian missionaries joined hands in promoting opium consumption along the coast of China.⁴¹

In India, in the first quarter of the nineteenth century, Malwa opium, exported from Bombay, had taken the lead over Bengal opium grown mainly in Bihar. The emphasis on Bengal as the centre of opium production and sale and on private British merchants being the exporters needs to be corrected.⁴² Those engaged in the trade included not only European merchants, but also Indians, big merchants as well as smaller shippers. Among them were the ancestors of prominent entrepreneurs of Bombay and Ahmedabad.⁴³ Indian merchants who traded extensively in opium were also located in inland towns such as Indore. They included Tatia Jog, a Maharashtrian Brahmin from Khandesh, who rose to prominence as a minister at the Holkar court, a banker and large opium merchant. Tatia Jog played a key role in facilitating British negotiations with the opium dealers of Indore and the smaller states of Malwa and central India. When he died in 1826, he was said to have left a fortune of half a million sterling.⁴⁴ The opium trade must be reckoned an important source of capital accumulation.

Silver remitted from China on account of opium sales also found its way to inland market towns such as Indore and Ratlam. By the 1840s much of the Malwa opium trade was in the

and Britain 1760-1840' in *IESHR*, 1981, vol. xviii, nos 3 & 4 (hereafter Siddiqi, 'Money and Prices').

⁴¹ M. Greenberg, *British Trade and the Opening of China* (Cambridge, 1951), pp. 139-40.

⁴² Cf. Chaudhuri, *CEHI* 2, p. 847.

⁴³ See Siddiqi, this selection.

⁴⁴ J. Sutherland, *Sketches of the Relations Subsisting between the British Government in India and the Different Native States* (Calcutta, 1837), p. 70. J. Malcolm, *A Memoir of Central India including Malwa* (London, 1824), p. 286.

hands of Khojas and Marwaris, many of whom were communicating directly with the European merchants stationed at Canton, instead of doing so through agents in Bombay.⁴⁵ At a somewhat later date, the son of a former Bombay merchant referred to the growing strength of opium dealers in the interior markets. '... the dealers have had such an upper hand in the opium trade,' he declared.⁴⁶ Silver earned in the opium trade may also have been routed to centres of Marwari business in Rajasthan and in the north, where Marwaris had a prominent position in the bullion trade, and so perhaps did not encounter the remittance problems with which merchants engaged primarily in export trade had to deal. All the same, Bombay merchants such as the Tatas and Petits, as well as Baghdadi Jews, continued to trade in opium to the end.⁴⁷

TRADE THEORY, BULLION, EXCHANGE AND PRICES

It is evident that in the course of the first quarter of the nineteenth century, India accomplished a rapid transition from being an exporter of manufactured goods, principally textiles, to being a large exporter of primary products. It is equally apparent that state power and its nexus with European mercantile interests played an important part in this change. These issues have been central to discussion of the colonial economy. Indian nationalist opinion connects the decline of the export of textiles with de-industrialization, and therefore of economic degradation. The opposite viewpoint has paralleled, or been influenced by, the Ricardian theory of comparative costs and its refinements.⁴⁸ Briefly, the argument is that the commodities that enter into international trade are determined by the differing cost advantages that accrue to the respective trading partners and that this,

⁴⁵ The Jardine Matheson MSS., Cambridge, contain many letters from Indian shippers addressed directly to Jardine Matheson and Co., Canton.

⁴⁶ Ardaseer Hormasjee, Bombay, to Whitehall, Hongkong, 26 Feb. 1872, Reel 59, p. 280, Jardine Matheson Archive, Cambridge.

⁴⁷ Cf. Siddiqi, this selection.

⁴⁸ Cf. Chaudhuri, *CEHI* 2, pp. 808-9.

in turn, is dependent upon the differential factor endowment of each country. It follows, furthermore, that an expansion in trade is, by its very nature, advantageous to the countries concerned.

The potentially fruitful feature of the theory seems to be that it offers a theoretical model which may be used as a tool to probe the historical record, rather than being a literal statement of that record itself. This is perhaps where the historiography is wanting, for it has been concerned more with aggregate trade figures than with the substantive terms of trade. This is true, for instance, of Amales Tripathi's remarks on the 'improvement' of the foreign trade of Bengal between 1793 and 1833.⁴⁹

K.N. Chaudhuri's writings appear to suffer from a similar shortcoming. His statistical analysis of India's foreign trade for the years 1828-40, is perhaps the most finely processed there is in the literature.⁵⁰ But he fails to draw the conclusions bearing on the terms of trade that are implicit in his own figures. Chaudhuri too is mainly concerned with the volume of trade. Clearly, it is necessary to consider not the volume of trade alone, but prices and values as well.⁵¹

The terms of trade may be observed through an examination of the movement of bullion and prices, and of certain institutions embedded in the prevailing commercial culture, in particular, the structure of the consignment trade, and the existence of the unilateral transfer of tribute to Britain as a function of trade. Each of these, we assume, affected the terms of trade.⁵² The tribute, which amounted to about a third of the total value of exports, distinguished Indo-British trade from 'normal' trade. Reckoned in gold, it probably exerted a downward pressure on the price of Indian exports to Britain in the early nineteenth century, a time when the price of the metal was high. The low

⁴⁹ A. Tripathi, *Trade and Finance in the Bengal Presidency (1793-1833)* (Calcutta, 1956), pp. 252-3.

⁵⁰ Chaudhuri, this selection.

⁵¹ *Ibid.*

⁵² For a detailed discussion see Siddiqi, 'Money and Prices' and 'Money and Prices . . .', comment and reply, *IESHR*, 1984, vol. xxi, p. 4 (hereafter Siddiqi, 'Reply').

price of goods enhanced the real value of the tribute. Thus the tribute may be reckoned a contributory cause of the depression.

Britain acquired, in these years, a position equivalent to that of a hard currency area. In this, bullion movements and her command of Indian financial and commercial resources played an important part.

Bullion was important in international monetary transactions both directly as a medium of payment, and as a measure of value. From the late eighteenth century onwards, international payments began increasingly to be made through bills of exchange. But the value of bills was always reckoned in terms of its actual return in bullion. Besides, transfers of bullion were often necessary. The ability of a country to draw upon and deploy bullion improved its international payments position, while at the same time it enabled it to influence the price of bullion and of commodities in international trade. These issues may be viewed in the context of the demand for and supply of the precious metals and the political and administrative parameters within which a dominant power might appropriate them.

Information about gold and silver prices and movements is not easily available. Detailed figures of India's trade are found from about 1795. Unfortunately, for the earlier period, they do not disaggregate gold and silver in the item noted as 'treasure'. But for the 1840s and 1850s these figures are available.

In England, the value of the gold sovereign began to go up towards the middle of the eighteenth century. The price of gold may have been influenced by a fall in the world production of the metal.⁵³ Britain's bullion requirements increased considerably during the American and French wars. Payments in gold and silver had to be made for war expenses abroad and subsidies had to be paid to Britain's continental allies. In these very years, we find evidence of restriction on the import of gold into India in the form of a prohibitive import duty imposed in 1792. The mint price of gold in England was higher than that in Bengal until about 1816-18. Calculations made at the India House in London in 1818 revealed that remittances from India to England

⁵³ See Appendix 1.

were more remunerative if made in gold, compared to bills and silver coins, the latter being the least advantageous.⁵⁴ It is not improbable that wherever possible remittances from India were made in gold, especially up to 1816-18. In those years legislation in Britain and India lowered the mint price of gold in Britain and raised it in India. The British Coinage Act of 1816 lowered the English mint price of gold from 1:15.20 to 1:14.29. It was reckoned also to have enhanced, by 6½ per cent, the exchange value of English silver currency as against that of the *sicca* rupee.⁵⁵ This devaluation meant that whenever payments were made in specie, a larger component of silver was exported.

In Bengal, Regulation XIV of 1818 reduced the gold content of the *mohur* while it continued to pass current for sixteen *sicca* rupees. The mint price of gold was thereby raised from 1:14.861 to 1:15. This brought it closer to the market price of gold. We know the demand for gold in India was high, causing its market price to considerably exceed the official price. Political instability may have increased the demand for the metal for hoarding. In 1832 the market price of the gold *mohur* was 17½ to 18 *sicca* rupees. By this date, gold coins had disappeared from circulation in India. A large number had passed into hoards and an undefinable quantity had probably been exported.⁵⁶

Where Company finance was concerned, there were at least two other channels to bullion besides the market. One was revenue, paid almost throughout in silver rupees, but in certain crucial years paid also in gold coins. This was the case in Bengal where, at the turn of the century, two thirds of the revenue was being paid in gold.⁵⁷ The other source consisted of fruits of conquest and dominion: war indemnity and forced loans. Tipu alone paid Rs 330,00,000 in coins and bullion to the Company at the end of the war in 1792. Bharatpur silver and Pegu gold

⁵⁴ See Appendix 2.

⁵⁵ Cf. 'Papers Relating to Coinage at Indian Mints', *Home Miscellaneous*, 1824, vol. 437, no. 33, National Archives of India.

⁵⁶ Cf. Wood, 'Report from Select Committee of Parliament on the Affairs of the East India Company, 1831-2', Appendix 38, 443, *British Parliamentary Papers, East India* (Irish University Press, 1977), vol. 7 (hereafter BPP).

⁵⁷ See Siddiqi, 'Money and Prices . . .' Cf. Wood.

flowed into its treasury following the annexation of the Jat state in 1826 and the war with Burma in the same year. Indeed it is a pertinent question to what extent financial stringency in the late 1820s may have been a motive for aggression. Forced loans were drawn from Indian rulers in the period of the Company's burgeoning hegemony. Prominent among such rulers was the Nawab of Awadh.

Until the 1830s, the Company transferred the tribute by means of treasure or bills or trade goods exported to Britain. Just after its trade monopoly was first curtailed in 1813, it waged an unsuccessful struggle to gain a higher rate of exchange on its bills in England. The Board of Control rejected its plea on the ground that this would give it undue advantage over private merchants.⁵⁸ The debate was an indication that the attack on its monopoly involved not simply the issue of trade, but also that of payments and of international finance.

Among prominent witnesses before the committee of Parliament appointed to consider the renewal of the Company's charter in 1832, were financiers such as John Horsley Palmer and Nathan Rothschild. Only a few years earlier, the latter had utilized his international financial connections in managing British war expenditure on the Continent.⁵⁹ In 1832, Rothschild declared that at that time the most appropriate mode for the transfer of the tribute to Britain was by means of bullion, but that the Company ought to develop the practice of doing so by means of bills.⁶⁰ When the trade of the Company came to an end, in 1834, it began to transfer the tribute largely by selling rupee bills in London to importers of Indian produce. A much smaller amount was transferred by the Company buying sterling bills in India from exporters of Indian produce, these bills being secured by the hypothecation of the goods to the Company. The system lasted until the early 1850s, when the British commercial firms in Calcutta induced it to stop buying sterling bills in India.

⁵⁸ 'Report of Select Committee', 1832, Appendix 20. Correspondence relating to rates of exchange, 1814-30, *BPP*, vol. 7, pp. 294-311.

⁵⁹ N. Silberling, 'Financial and Monetary Policy of Great Britain during the Napoleonic Wars', *Quarterly Journal of Economics*, vol. xxxviii, 1924, p. 229.

⁶⁰ Evidence of N.M. Rothschild, 15 Aug. 1832, *BPP*, vol. 7, pp. 208-9.

The motive behind this move was that the Company's large participation in Indian exchange competed with their own. From then on the Company simply sold its own bills in London for drafts on the Government of India.⁶¹ Thus British financiers anxious to bring exchange with India more closely within the orbit of the London money market, and Indo-British commercial firms keen on obtaining cheap credit in India, had a shared interest in clipping the Company's trade and exchange operations.

India's foreign trade tended increasingly to be tied in with fluctuations in the international economy, especially those that involved Britain. But its position in that economy was strongly conditioned by the presence of an extra-commercial institution, namely, the obligatory transfer of a heavy tribute to Britain. At times when trade was depressed, and bills were not available on favourable terms, the Company simply shipped treasure to Britain. This happened a number of times in the early nineteenth century, notably in 1821-2, 1831-2 and again in the years 1847-9. In 1831, for instance, silver received as land revenue was brought down to Calcutta and exported. Each of these occasions was a time of depression; the export of treasure worsened the crisis. In 1832, leading witnesses such as Holt Mackenzie, testified to the fact that bills on favourable terms not being available, the governments of the Indian presidencies, as well as individuals, had been shipping gold and silver coins to England. In addition, Indian coins had been exported during the Burmese war. This, declared Mackenzie, 'must have impoverished India in those precious metals'.⁶²

Indeed, a calculated motive for the introduction of a uniform rupee in 1835 was that, when exported, it would not incur the expense and inconvenience of having to be melted for evaluation.⁶³

A heavy outflow of precious metals and coins from India

⁶¹ Tooke and Newmarch, *A History of Prices and of the State of the Circulation from 1792 to 1856* (London, 1928), vol. 6, p. 667 (hereafter Tooke). Tooke, Chaudhuri, *Ec. Dvpt.*, p. 185 (hereafter Tooke, Chd.).

⁶² 'Report of Select Committee', 1832, Appendix 38, 444, *BPP*, vol. 7.

⁶³ Cf. Wood, *ibid.*, p. 443.

appears to have taken place; this, in addition to other developments, caused the prolonged and widespread depression that occurred in the second quarter of the century.

Despite their significance as indices of the terms of trade and reflections of the parameters of the trading world, exchange rates in the eighteenth and early nineteenth centuries have been neglected in the historiography.

Exchange rates were not governed exclusively by the demand for and supply of trade goods and of money. Rather trade itself and exchange rates were influenced both by political factors and by market conditions, neither of which can be wholly separated from the other. In the early eighteenth century, the bullion brought to India by the East India Company was often exchanged for *sicca* rupees at a rate that gave the rupee a considerable advantage in intrinsic worth. In 1719–20 the difference was as much as 8½ per cent in favour of the *sicca* rupee. This was not the result of the balance of trade but arose from the value which Indian merchants put upon the bullion imported from Europe when they exchanged it for Indian money. Political factors may have influenced the decline in the rate for bills drawn on England after the Company acquired the *diwani*. In 1760, the rate was 2s. 3d. per Bengal current rupee, from 1761 to 1766 it was 2s. 4d., after 1766 it declined to 2s. 1d. and 2s. These rates held between 1771 and 1790, although in certain years they were lower still: 1s. 8d. and 1s. 11d in 1786 and 1787.⁶⁴ Between 1813 and 1829, in the years following the curtailment of the Company's monopoly, there was again a declining trend in the rate of six months bills.⁶⁵ This was true also of the period between 1834 and 1850.⁶⁶

The low value of the *sicca* rupee in English money was paralleled by low or declining domestic prices almost throughout India in the first half of the nineteenth century.⁶⁷ If trade followed the devaluation theory, we would expect this situation

⁶⁴ Joseph Dart to T.P. Courtenay, India House, 17 July 1816, Appendix 20, Enclosure no. 2, *BPP*, vol. 7, pp. 301–2.

⁶⁵ Appendix 3.

⁶⁶ Appendix 4.

⁶⁷ See Siddiqi, 'Money and Prices'.

to result in a considerable increase in the volume of exports and of export earnings. The figures of trade suggest that this did not happen.

The prices of Indian exports may be viewed at two levels of comparison, first, as against those of other commodities in the overseas market, and second as components of the aggregate value of exports over a period of time. Two separate sets of figures enable us to make these comparisons.

In 1919, Norman Silberling referred to two price indices for Britain for the late eighteenth and nineteenth centuries. One of these, that of W. Stanley Jevons, incorporated a group of 'Oriental' commodities that included sugar, tea, pepper, cinnamon, indigo, China silk and Surat cotton. Silberling's graph of Jevons' index shows that in Britain, the prices of oriental goods were not merely far below those of other goods but were on the decline in the period between 1782 and 1830. In certain instances, especially between 1782 and 1800, the prices of oriental goods moved down, while those of items such as corn moved up sharply.⁶⁸ During the most difficult years of the Napoleonic wars, Britain was forced to import corn at very high prices from the Baltic countries. She was drawing supplies of important items of food, such as sugar and tea, and vital raw materials, indigo, Surat cotton and China and Bengal silk at moderate prices from India and China. These figures thus illustrate the function of imports from the east in the British economy.

The second set of figures, those of Chaudhuri, have a closer bearing on the values of exports in Indian export earnings.⁶⁹ He has constructed an index for selected Indian export commodities for the years 1828–40. Wherever possible, he has calculated the values, that is, price multiplied by quantity, as well as volume. Indigo, opium and cotton accounted for about 60 per cent of the total value of exports. Over these years as a whole, while the volume of exports of these commodities increased, the values dropped. Although Chaudhuri does not notice this, his figures indicate adverse terms of trade: while effective demand went up, the price decline was so steep that total earnings fell.

⁶⁸ Appendix 6.

⁶⁹ Chaudhuri, this selection.

An explanation of the depression of the second quarter of the nineteenth century is crucial to an understanding of the trade history of these years. A combination of factors may be considered.

Where the poor prices of Indian commodities in the foreign market are concerned, one explanation may be the low price elasticity of demand that resulted from the structure of colonial trade. The agency houses which, in the main, conducted it, were less mindful of the outcome of trading ventures than of their own commissions. For this reason, and because of their anxiety to liquidate their debts to their principals in England, they often tended to flood the overseas market without a close watch on demand. This factor was therefore intrinsic to colonial trade.

More general developments, arising from changes in Indian society and polity formed the background of the depression. Contemporaries noted a falling off of demand for goods associated with upper class consumption that accompanied the decline of the older ruling classes.⁷⁰ This sea change, a result of which was artisanal and service sector unemployment, had been long in the making. It came to a head at a time when the Company's government, perhaps induced by a resource crunch, redoubled its efforts simultaneously to hike revenue and retrench state spending. We have noted the periodic siphoning off of bullion to England. The scarcity of currency was accentuated by the closure, as a measure of economy, of several mints, at the very time when the demand for money had gone up in consequence of the widespread commutation of land rent. The resulting fall in prices substantially increased the real value of rents and whittled down the incomes of a wide section of the agrarian population.⁷¹

Not merely India, China too experienced an acute price depression and silver shortage in the second quarter of the nineteenth century. In China the shortage of silver was directly connected with the opium trade since opium imports were paid

⁷⁰ Siddiqi, *Agrarian Change*, p. 169; Bayly, *Rulers*, p. 266 *et seq.*; S. Guha, *The Agrarian Economy of the Bombay Deccan* (Delhi, 1985), p. 16 *et seq.* See also, section on inland and overland trade.

⁷¹ Siddiqi, *Agrarian Change*, p. 170 *et seq.*

for mainly with silver. The end of the East India Company's trading activities in 1834, inaugurated a spell of accelerated trade and movement of international trading capital, with London as its nerve centre. Extended British and American trade with India and China gave rise to an increased demand for remittance from these countries. While silver poured out to India in a steady stream, *sycee*, Chinese silver bullion which, because of its high purity, was prized by foreign traders, became hard to obtain even at a premium. Figures for Bengal for the years 1832-3 to 1843-4 show that most of the silver imported from China was *sycee*, that is, pure silver bullion, though the proportion of dollars was going up.⁷² Again, as in India so in China, military conquest was going up. China paid Britain six million dollars in *sycee* as reparation at the end of the first Opium War. For a society whose monetary system had been for centuries based on silver, the strain on the metal was ruinous. The late 1820s through to the 1840s witnessed a severe crisis. The standard currency was debased, production and trade stagnated and prices fell.⁷³ Thus Indian and Chinese experience during these years in many ways ran along parallel lines, impelled by the scarcity of silver.

For the western world this was the formative period for the expansion of international trading and exchange networks. In the late 1820s, American merchants began to offer at Canton bills of exchange on London to be discounted against exports of cotton to Britain. The popularity of American bills increased in the wake of the severe financial crisis, between 1829 and 1834, in which the leading Calcutta agency houses failed, bringing down with them their principals in England.⁷⁴ The exchange network rested on a multilateral trade circuit that comprised, in

⁷² Hamashita Takeshi, 'Foreign Trade Finance in China, 1810-50', Linda Grove and Christian Daniels (eds), *State and Society in China. Japanese Perspectives on Ming-Qing Social and Economic History* (Tokyo, 1985), pp. 396-7 (hereafter Hamashita).

⁷³ Raymon H. Myers, *The Chinese Economy Past and Present* (Belmont, 1980), pp. 72-4.

⁷⁴ For the failure of the Calcutta agency houses, see Crawford, pp. 277-81; Tripathi, chapter 6. For repercussions of the failures in northern India, see Siddiqi, *Agrarian Change*, pp. 150-3.

the main, the export of Indian opium to China, of Chinese tea and silk to Europe and America, and of American cotton to Britain. Associated with it were prominent British bankers such as Baring Brothers & Co., as well as leading American names in the world of banking. Important opium concerns, such as Jardine Matheson & Company, were moving into international exchange business.

We noticed the failure of the agency houses and the ensuing financial crisis in Calcutta that did not seem to have affected Bombay or the south. However in the next serious crisis that began in 1846, financial stress was more widespread, an indication perhaps of the greater integration of the Indian money market. ' . . . the scarcity is as much felt here as in Calcutta', wrote a Bombay merchant.⁷⁵

Most Indian merchants who wished to get their trade earnings back from China were scarcely involved in international exchange. They found, for instance, that American bills were unsaleable in Bombay. Many port city merchants liked to get their remittances in bills on the Indian government. One of the essays in this collection describes their increasing difficulties. On the other hand, indigenous shippers with a hold in interior produce and bullion markets, appear to have been willing to have their returns in bullion. They, it would seem, were closely associated with the 'dealers' who, contemporaries noticed, had increased their control of the opium trade. We do not know how those merchants at the port cities, such as the Tatas, Petits, and Baghdadi Jews, among them the Sassoons, who continued to trade in opium until the early years of the twentieth century, managed their remittances.

There is a further question concerning the supply of silver in India. Given the steady import of treasure from China, in what sense can we speak of a silver scarcity?

It is evident that the treasure imported was modest in amount. Using East India Company records, Thomas Tooke estimated that between the years 1846-7 to 1853-4, there was a

⁷⁵ Cursetjee Jamsetjee, Bombay to J. Malcolmson, London, 15 April 1846. Jejeebhoy MSS., Bombay University, vol. 371, p. 34 (hereafter J. MSS.).

net average import of gold amounting to £ 1,170,000, and of silver, £ 1,890,000; a total of about 3 million sterling. About 2 million, mostly in silver, were received from China in payment for opium. Considering the extensive use of silver in India this was not a large amount. Between 1835 and 1852, and again after 1852, the Company's rupee was the sole legal tender. The public treasuries alone held 12 or 15 millions. Personal ornaments, of course, accounted for the bulk of the silver absorbed. Tooke reckoned the mass of silver in India was about 400 million sterling and that the annual loss by wear at 1 per cent was about 4 million. He declared, ' . . . I am inclined to think that, for a very long period of time, the imports of silver into India have been barely adequate to maintain the level of the previous enormous quantity.'⁷⁶ In short, the inflow of silver was insufficient to make up the loss of existing stock by wear, let alone provide for the increased requirement for currency. It seems India experienced a prolonged depletion of silver for a hundred years following the British conquest.

At a deeper level, the depression should perhaps be located in conditions of the world supply of bullion and of the differential positions of the dominant and subordinate economies. The first half of the nineteenth century was a time of stagnant production of gold and silver. Nevertheless, during this time, Europe and America absorbed new gold equal to 58 per cent of the total world stock existing in 1800 and, moreover, did so without affecting the relative value of gold. In the same period, they absorbed silver equal to 25 per cent of the stock of 1800.⁷⁷ In other words, at mid century, the western world had a strong position in bullion stock. Then, a dramatic increase took place in the world production of the precious metals, with the discovery of new mines in California and Australia.

Gold was first discovered in California in 1848, and in Australia in 1851. At the same time, between 1850 and 1854, three new quicksilver mines were discovered in California which reduced the price of quicksilver by two thirds. Quicksilver being

⁷⁶ Tooke, *Chd.*, pp. 177-9.

⁷⁷ Tooke, pp. 231, 763.

required for the mining process, the cost of mining gold and silver was significantly lowered. According to Tooke's calculations, between 1848 and 1856, the annual supply of new gold trebled, while the total stock in Europe and America went up from £ 560 million sometime prior to 1848, to £ 870 million in 1856, an increase of more than 50 per cent.⁷⁸

Though less than gold, silver production also increased. The average annual production went up from £ 9 million in 1848 to £ 12 million in 1856, while the total stock increased from a pre-1848 figure of £ 800 million to £ 870 million at the close of 1856. The availability of silver expanded also because of the supercession, after 1850, of silver currency in many countries such as France.⁷⁹

In these years, Britain was particularly active in augmenting her stock of gold. For instance, between January 1851 and July 1852, the Bank of England added £ 8 millions to its gold reserve, increasing it from £ 14 million to £ 22 million.⁸⁰ In 1856, the last year of Tooke's investigations, Britain imported gold worth £ 10.25 million from Australia and £ 8.6 million from the United States.⁸¹ The well stocked vaults of the Bank of England strengthened Britain's position in international exchange and banking.

An important development associated with the increase in the supply of bullion was that Britain began to export treasure, mainly silver, to the east in order to balance trade and to provide capital for the construction of railways. Tooke believed this trend was influenced by an increased level of consumption in the countries of Europe and America where, in the main, the gold of California and Australia was absorbed. The principal items of consumption that had to be paid for were the tea and silk of China. The payment arrangements formed the well known triangular scheme. It was assumed that Britain's debt to China, principally on account of tea and silk, could be liquidated through China's debt to India on account of opium and cotton,

⁷⁸ *Ibid.*, pp. 759-63.

⁷⁹ *Ibid.*, p. 231.

⁸⁰ *Ibid.*, p. 231.

⁸¹ Tooke, *Chd.*, p. 182.

since India in turn owed a considerable amount to Britain as annual tribute.

Where transfers from Britain to India were concerned, at mid century, other than trade balances, there was a large export of capital, mainly in silver, for the construction of railways. This and the amount of the annual drafts on India sold in London by the East India Company were the main items of export.⁸²

Imports of silver into India from the United Kingdom began to go up soon after the discovery of the new mines. They increased from £ 16 million in 1849-50 to £ 480 million in 1850-2. In 1852-3 the large sum of £ 2,210 million was imported. Almost immediately there was a marked increase in annual coinage which went up from £ 2.61 million in 1850-1 to £ 4.24 million in 1851-2 and £ 5.51 million in 1852-3. The five year annual average increased from £ 2.71 million for the period 1845-6 and 1849-50 to £ 3.79 million for 1850-1 and 1854-5.⁸³ Since money could be freely coined at the mint by individuals, this spurt of activity indicated the pent up demand arising from the scarcity of bullion.

These dates also saw an upturn in prices and an end to the low prices prevalent earlier in the century. Almost certainly the import of silver and increase in currency had an inflationary effect. It may also have lowered the price of silver in India and drawn it out for investment in trade and industry. Clearly, this question, closely linked with the parameters of the bullion market, requires careful examination. A stirring for new areas of investment is noticeable at this time in centres where wealth was concentrated, such as Surat.⁸⁴ Monetary factors may have been partly responsible also for the marked increase in cotton exports to Britain from the early 1850s onwards, well before the boom caused by the American war.⁸⁵

We noticed the similar economic experience of India and China in the early nineteenth century, in that both suffered a

⁸² *Ibid.*, pp. 168-77.

⁸³ *Ibid.*, pp. 188-9.

⁸⁴ Cf. H.G. Briggs, *Cities of Gujarashtra* (London, 1849), pp. 133-4.

⁸⁵ Cf. Thomas Ellis, *The Cotton Trade of Great Britain* (London, 1886), tables 1 & 2.

depression because of the shortage of silver. But differing trends were perhaps equally significant. Among these were divergent movements in international exchange rates. For while, as we have seen, the rates of rupee bills of exchange declined between 1813 and 1829, and again between 1834 and 1850, in China the annual average rate of exchange had an upward tendency in the years after the Opium War through to 1856. This was the case in Canton, and even more so in Shanghai.⁸⁶ Contemporaries observed that the low rate of bills in India was related to the Company's financial operations connected with the transfer of the tribute which induced it to throw a large amount of bills on the market.⁸⁷ These bills, offered both in India and in London, served as ready instruments for financing Indo-British trade. The low rates may also have been related to Britain's easier command of Indian financial and commercial resources, buttressed by long standing connections and by dominion. This made possible the development of bilateral trade. By contrast, in trade with China, while the demand for Chinese tea remained high, western merchants found it difficult to penetrate the market for the sale of western manufactures even after the Treaty of Nanjing extended their trade to four additional ports in 1842. Often these goods had to be dumped in Chinese markets, and were accepted only if offered in conjunction with opium, which retained its primacy among imports.⁸⁸

International monetary circulation and expanding trade found expression in the proliferation of European trading houses and foreign exchange banks at port cities.⁸⁹ Backed by a supportive state, especially after 1834, these organizations were prime movers in setting the direction of trade. At the same time, contact with Indians and familiarity with existing institutions enabled them to draw upon the resources of an unusually rich commercial culture in India. Among these institutions was the 'consignment trade'.

⁸⁶ Appendix 5.

⁸⁷ Chaudhuri, *Ec. Dvpt.*, p. 38.

⁸⁸ Cf. Hamashita, pp. 410-17.

⁸⁹ See C.N. Cooke, *The Rise, Progress and Present Condition of Banking in India* (Calcutta, 1863).

CONSIGNMENT TRADE

Consignment trade was the special domain of private overseas traders, and was structurally distinct from the trade of the chartered companies which traded on their own account and used their own capital.

The consignment system was not peculiar to India. Its salient features, suited to a world of hazardous voyages and remote markets, were common to much of Euro-Asian pre-modern trade. The essence of the system was risk sharing. It survived well past the middle of the nineteenth century and gave place only slowly and partially, with the lowering of freight charges, quicker market intelligence and shortening of the term of bills of exchange, to shipment of cargoes on order.

A trading venture would start with a shipper, or group of shippers, consigning a cargo to an agent to be shipped and sold in a distant market. The characteristic financial instrument which served such ventures was the respondentia bond, an instrument particularly suited to pooling resources from numerous, often small, owners of trading capital who, as shippers, became participants in the venture, or who loaned out capital to the actual shippers. Its use required the services of large numbers of brokers who were an integral element in the commercial culture especially of western India. Much of this credit was raised on personal security. In the Gujerat and Bombay region credit was often generated by means of the indigenous promissory note known as the *shajogee* note. Caste and kinship connections may have played a part in these arrangements, but even more important was confidence based upon perceptions of mutual credit worthiness in an environment of intimate commercial contact. A great mercantile metropolis, such as Surat or Bombay, provided the setting in which this culture took root.

Mention of respondentia bonds occurs in nineteenth century accounts of Bombay merchants exporting opium to China. In 1830, Harivullubh Vansidhar, a Bombay merchant, was in prison at the suit of Dulubdas Murlidhar, a shroff, to whom he owed Rs. 19,050 on account of two respondentia bonds, for 'goods', almost certainly opium, shipped to Whampoa, and a

return cargo of cochineal, pearls and other Chinese commodities, which Pestonjee Cama had shipped for him from China.⁹⁰

The earlier equivalent of trading agents were often the 'country captains' we have noticed, still to be occasionally seen in Asian waters in the early nineteenth century, who bore the physical risk of the voyage, sold the goods and returned to the ports from where they had embarked to settle accounts and claim their share of the venture. In October 1841, a Captain Green with a new ship he had bought, was in Bombay harbour, looking for freight. A year later, 'poor Green with his ship, the *Reliance*', was wrecked off the coast of France. With a merchant's eye, Jamsetjee Jejeebhoy noted that 25,000 packages of tea had been saved.⁹¹

From the late eighteenth century onwards, individual adventurers tended to be displaced by agency houses in European trade in Asia. The agent charged a commission. He would normally pay an advance to the shipper equivalent to two thirds of the estimated value of the goods which were considered the property of the shipper until they were sold and accounts settled. In short, the shipper had practically no control of the market where his goods were sold and was liable to reimburse the agent if they were sold at a loss, while the agent earned a steady commission, apart from being in a position to manipulate sales and accounting to his own advantage.⁹²

It is noticeable that similar arrangements were made when British merchants shipped cotton manufactures to China. There is, for instance, the case of a manufacturer who entrusted a cargo of cotton twist and shirting to a firm in Liverpool, to be shipped to China. The firm paid him an advance of two-thirds of the value and final accounts were reckoned only when the goods were sold and the proceeds remitted to England.⁹³

⁹⁰ Bombay High Court, Insolvency Schedule, 1830, no. 90.

⁹¹ Jamsetjee Jejeebhoy, Bombay, to James Matheson, Macao, 24 Oct. 1841, vol. 370 (J. MSS.).

Jamsetjee Jejeebhoy, Bombay, to James Matheson, Macao, 15 Jan. 1843, vol. 389 (J. MSS.).

⁹² See Siddiqi, this selection.

⁹³ Hamashita, p. 410.

The historical role of the consignment system seems to have been that, given infrastructural and political backing which became available with colonial expansion in the eighteenth and nineteenth centuries, it channelised capital and expanded trade on a scale that the chartered companies could scarcely have achieved.

The initial fortunes of European trading houses in the east were built on commission agency, a relatively risk free form of earning, while the greater injury from market losses abroad tended to fall on the shippers, a large number of whom were Indians. This became very evident during the crash of the cotton trade in Bombay in the late 1860s and early 1870s in which the fortunes of many shippers were destroyed. The European houses of course traded on their own account as well, and later in the century, came to dominate export trade, for instance, in cotton.⁹⁴ It was they, moreover, who were conspicuous in taking to export trade on order, as distinct from consignment. Whether they were themselves shippers, or acted as agents for others, they were able to tap local sources for trading capital and utilize the services of Indian networks of middlemen and agents, while at the same time they enjoyed unrivalled infrastructural support in Britain and at the outposts of the empire.

INDIAN OCEAN TRADE

Preoccupation with the main pathways of Indo-European trade has tended to obscure other worlds of India's overseas trade. A conspicuous gap in the historiography is the study of the trade in the Indian Ocean. A superficial view suggests not only that this was considerable in volume but that certain areas were developing and that it was beginning to occupy an important subsidiary place within the framework of colonial commerce.

Tooke has given figures of the total imports and exports of gold and silver into India from different places for the period 1846-7 and 1853-4, together with a breakdown for a single year,

⁹⁴ Vicziany, this selection.

1853–4, noting details of the amounts imported and exported from places other than the United Kingdom, Europe, America and China. Out of a total import of £ 3,769,000 of silver in that year, £ 701,000 were imported from Suez, Aden, the Arabian and Persian Gulfs, and Africa.⁹⁵

From the late eighteenth century onwards, Indians, both Gujerati *baniyas* and Khojas, were active in Zanzibar where they participated in the trade in ivory, sold textiles and chinaware brought from Surat, and advanced money often at as high a rate as 25 per cent.⁹⁶ There is evidence too of Indian involvement in the slave trade of east Africa.⁹⁷ An important function for which the British authorities valued the activities of Indians was that they helped to channelise silver to India.⁹⁸ Indians in East Africa were prominent also as retail traders, and helped to market European goods.⁹⁹

Besides having a presence in east Africa, west coast merchants, such as Iranians domiciled in Bombay, who often had their own shipping, were engaged in extending the sale of items such as tea and textiles in the Persian Gulf region and in the Malaya archipelago. One such merchant was, for example, Agha Ali Akbar bin Haji Jafar, who traded in Iran and Penang, and who had bought a large quantity of tea and sugar, presumably for export, from the well known Bombay and Ahmedabad merchant, Candas Narandas.¹⁰⁰ Such activity does not appear to have competed with but rather to have promoted imperial interests. These areas of commerce call for more thorough investigation.

⁹⁵ Tooke, Chd., pp. 187–9.

⁹⁶ Abdul Mohamed Hussein Sheriff, 'The Rise of a Commercial Empire: An Aspect of the Economic History of Zanzibar, 1770–1873' (London, Ph.D. thesis, 1971), p. 101 *et seq.*

Edward A. Alpers, *Ivory and Slaves in East Central Africa: Changing Patterns of International Trade to the Later Nineteenth Century* (London, 1975), p. 234 *et seq.*

⁹⁷ Padma Srinivasan, 'Abolition of Slave Trade in the Persian Gulf during the Nineteenth Century' (Bombay, Ph.D. thesis, 1992), chapter 6.

⁹⁸ Report of G.E. Seward, Officiating Political Agent and Consul, Zanzibar, *Bombay Chamber of Commerce Report, 1867–8*, pp. 154–7.

⁹⁹ Srinivasan.

¹⁰⁰ Bombay High Court, Insolvency Schedule, 1861, no. 2784.

INLAND AND OVERLAND TRADE

We have noticed the existence of the state monopolies of salt, saltpetre and, in Bengal, opium. In the processing and marketing of indigo too, Europeans were for a time directly involved, and it was they who pioneered the enclaves of the plantation economy, the tea estates of Assam and the Nilgris. But in local markets of food grains, and important cash crops such as cotton and Malwa opium, Europeans did not directly participate, and the occasional attempt to do so tended often to be unsuccessful. From the early years of the nineteenth century, *laissez-faire* was the declared policy for agricultural marketing, even in times of scarcity.¹⁰¹ Inland trade—this included the trade in bullion within India—was the more or less exclusive domain of Indians. Unbridled interference and participation in internal trade by private European traders or by the Company, such as that witnessed in Bengal after Plassey, were the exception. Yet, as we shall notice, the free play of market forces was often hemmed in by restrictions on trade and by transit duties that made the environment for indigenous trade in many ways more confined and less profitable than what it had been.

The free flow of bullion within the country, and the existence of well-developed countrywide networks for indigenous bills of exchange, the *hundis*, meant that in terms of trading capital there was no rigid dividing line that marked off internal from export trade. Investors could put their money in whichever sector they perceived would be profitable. Thus in the 1820s, the bullion dealers of Farrukhabad, an important financial centre in the Doab, were not only furnishing funds for indigo destined for export, they were also investing in grain in Rohilkhand to be shipped down the Ganga to the large grain markets at Kanpur. When the indigo business collapsed in the late 1820s, 65 of the 120 bankers of Farrukhabad closed their doors and left the city. The ensuing recession in the export trade affected not only indigo production but the grain trade of Rohilkhand as well.¹⁰²

Trading capital moved along a continuous spectrum from

¹⁰¹ Siddiqi, *Agrarian Change*, p. 167.

¹⁰² *Ibid.*, pp. 170–1.

the exchange managed by itinerant traders, through to the periodic markets, the *haths*, to the more permanent markets, the *ganjs*, and the larger wholesale and retail markets of the towns and cities.

As was the case with overseas trade, so also internal trade was affected by war and political turbulence, as well as by the state of the money market. The latter, in turn, was sensitive to political events.

In the north, the Afghan invasions of the second half of the eighteenth century and, following them, recurrent raids by the Sikhs disturbed the trade of the Doab and regions further west. In 1785, for instance, they plundered Chandausi, Sambhal and the adjoining areas so severely that the flourishing trade in European broadcloths and Bengal silks and muslins, which passed through these districts to the markets of Rohilkhand and beyond, was severely checked.¹⁰³

Along the Grand Trunk route, traffic passed as it had done for more than two hundred years but George Forster, travelling from Calcutta north-westward in 1783, noted signs of decay in Oudh which he attributed to the 'tenor of our present connection with Assof-ud-Dowlah'. Large portions of the amount paid by the nawab into the Company's treasury at Lucknow were being drained away to Calcutta. Financial pressure had induced the ruler to resume *jagir* lands: this had impoverished the classes whose expensive life style had supported dependents, namely, service people and artisans.¹⁰⁴

While passing through the recently founded town of Najibabad, Forster observed that Najib-ud-Dowlah had located it so that it would benefit from the commerce with Kashmir which, since the establishment of the Sikh state, had been diverted from its former path through Delhi and Lahore. It now followed a more arduous and expensive route that led directly

¹⁰³ Capt. R. Frith, Camp Partabgarh, to James Law, London, 30 March 1802, *Home Miscellaneous*, no. 235, pp. 613-24, India Office Library.

¹⁰⁴ George Forster, *Journey from Bengal to England through the Northern Part of India, Kashmere, Afghanistan and Persia and into Russia by the Caspian* (London, 1808), pp. 98-100. C.f. Jean Deloche (ed.), *Voyage en Inde du Comte de Modave (1773-1779)*, (Paris, 1971), p. 338 (hereafter *Modave*).

from Rohilkhand through the mountains north of the Punjab.¹⁰⁵ From Najibabad, Forster rode along this route in the company of a mule caravan carrying raw silk, cotton cloth and calicoes, the property mostly of residents of Banaras, Lucknow and Farrukhabad. At Jammu, the banker, Jwala Nath, nephew of the famous Banaras merchant, Kashmiri Mul, readily encashed a bill that he was carrying.¹⁰⁶ We may suppose that a prominent item among the goods on the return of such caravans from Jammu may have been Kashmiri shawls, prized by the upper classes all over northern India.

Forster's experiences serve to emphasize several features of the environment of inland trade at the turn of the century. While earlier arterial routes, and the credit lines that sustained them, had not lapsed, new routes were springing up which were calculated to be safer from the attacks of raiders.¹⁰⁷ These were often more costly so the price of the goods was probably raised.

Equally pertinent seem to be Forster's observations about the spiralling drain of resources from Oudh on account of the subsidy the ruler had to pay to the East India Company. The 'numerous tribe of idlers' that contemporaries noticed 'in all the large cities and towns of Hindostan' were, at least in part, displaced work people, symptoms of the deep and prolonged depression that gripped northern India in the late eighteenth and early nineteenth centuries.¹⁰⁸ This was the consequence of political change: the supercession of the rulers by the Company and the forced payments imposed upon them.

Further to the west, the Grand Trunk linked Agra to Lahore and Multan which occupied a strategic position between the plains of Hindustan and the deserts of Sindh. Highways wound their way from here across the desert to Afghanistan and Iran, linking up with trade routes through Mocha and Jeddah, to Turkey, Syria, Egypt and Anatolia and beyond to Smyrna, Algeria and Tunisia. Prominent among the goods that passed along these routes were Indian textiles both fine and coarse, the

¹⁰⁵ *Ibid.* pp. 218, 283.

¹⁰⁶ *Ibid.*, p. 220.

¹⁰⁷ Cf. Bayly, *Rulers*, 154.

¹⁰⁸ Capt. Frith.

latter being in special demand in the Islamic world because pilgrims performing the *haj* ceremony were required to use them.¹⁰⁹

The return cargoes from Kabul, consisting mainly of dry and fresh fruits, were carried to India by camel caravans.¹¹⁰

Lahore was important for the horse trade. Its climate was suitable for breeding horses, which were assembled here from Turkistan, Iran and Samarkand. The city also received Arab horses from Surat.¹¹¹

Count Modave who travelled in northern India in the 1770s was one of the few contemporary observers to note the well regulated sale of 'virgins' in the big cities of Hindustan. Women were kept in warehouses; customers could make their choice and were required to file documents with the police giving the details of the transactions. Women could either be bought outright, or hired for a month at a time. Modave remarked that most of the women for sale were from Kashmir, Multan or Punjab.¹¹² It seems likely that the political upheavals of these times, of which women were among the readiest victims, served to swell the volume of this trade. We do not know whether this human cargo passed out of India along with other merchandise.

We have noticed the decline of the trade with west Asia in the eighteenth century, but it is difficult to assess precisely the volume of this trade. What we do gather is that the routes were still active. It was by the overland route that Forster travelled all the way to Russia. The accounts of travellers also indicate that the trade had generated a considerable diaspora. Indian settlements, in which *bania* agents lived, stretched from the Persian Gulf to the Caspian Sea. The most important Indian colonies were located between Isfahan and Shiraz.¹¹³

The northern reaches of Indian overland trade extended from Kashmir to China and Tibet where the thick felt cloth and

¹⁰⁹ Jean Deloche, *La Circulation en Inde avant la Revolution des Transports*, Tome 1 (Paris, 1980), p. 36; Modave, p. 342.

¹¹⁰ Deloche, pp. 36, 329–30.

¹¹¹ Modave, p. 321.

¹¹² *Ibid.*, p. 332.

¹¹³ *Ibid.*, p. 339.

woollens manufactured in Kashmir were in demand. Conspicuous here were the Sanyasis and Gosains, mendicant traders, whom Modave described as 'fierce nomads' who travelled as far as Tartary.¹¹⁴

The central commercial position of Delhi probably suffered as a result of the break up of the empire. Modave noted there were now fewer caravans carrying goods from one end of the country to the other.¹¹⁵ While many rulers of independent principalities may have been eager to attract trade and protect merchants, one consequence of the dismemberment may have been an increase in the total sums paid as transit duties. Indeed, the search for alternative routes was probably induced as much by the necessity of avoiding multiple payments as it was by that of seeking physical safety.

In the Deccan, Burhanpur, which had been an important commercial centre under the Mughals was captured by the Marathas in 1770. Thereafter its trade declined.¹¹⁶ In the course of the eighteenth century, with the consolidation of Peshwa rule, Pune acquired a place of commercial prominence at the cost of Aurangabad.¹¹⁷ Charles Mallet, British Resident at the Peshwa's court, described the city as being '... still a large village to which People of all denominations and of all Professions are now beginning to resort from the other ruined parts of Hindostan particularly from the decayed Mogul Cities.'¹¹⁸ Later on, Pune benefitted from its proximity to Bombay. After defeating the Peshwa the British considered it expedient to construct a road link to the Peshwa capital via the Bhorghat in order to tap the commerce of the Deccan. Bombay's trade links with the plateau and with northern India were further strengthened by the construction of the Bombay–Agra highway through Nasik between 1840 and 1860.¹¹⁹

¹¹⁴ *Ibid.*, pp. 299–300, 361.

¹¹⁵ *Ibid.*, p. 323.

¹¹⁶ *Ibid.*, p. 510.

¹¹⁷ Deloche, p. 70.

¹¹⁸ C.W. Malet, English Resident at the Peshwa's court, Poona, to Cornwallis, Poona, 8 Aug. 1788. Commercial Dept. Diary, 1788, no. 4, p. 84 (MSA).

¹¹⁹ Cf. Deloche, p. 70.

When we turn to the peninsula, and especially to south India, we find although textile production did suffer in many places, contemporary accounts are not so emphatic in noting the wide ranging decline of artisanal production that was conspicuous in the cities of the north. This may have been because of a difference in life styles: a lower level of luxury consumption even among the upper classes in the south. Consequently here, artisans may not have been displaced to the extent they were in the north.

In the peninsula and in south India too, political turmoil had led to a realignment of trade routes, with significant consequences for the fortunes of the merchants, and for the flow of credit and goods. Indeed, Ruchira Banerjee's recent work shows that in Malabar, the command of trade routes that penetrated dense forests and utilized intricate waterways, were the domain of specialist carriers and that their dislocation affected both overland and oceanic trade. Especially destructive of the exchange network was, for instance, the disruption, after the defeat of Tipu in 1792, of trade on the highway that connected Palghat with Coimbatore. Apart from other consequences, this starved the looms of Madurai of their supplies of raw cotton.¹²⁰

We have already noticed Banerjee's conclusion that the long drawn hostilities of the second Anglo-Mysore war had a significant displacement effect. Credit which had been invested in the trade of indigenous merchants was now diverted to that of the Europeans.

It is evident of course that while, in such cases, warfare and conquest dealt a visible blow to existing trade, it did not simply wipe out trading activity in areas where fighting was on. In fact the presence of large armies sometimes generated the so-called 'battle bazars' that are vividly described in contemporary accounts. One such account depicts the bazaar at Hubli in the course of the war in 1790:

... the grand public bazar of the army is of vast extent, regularly disposed in straight streets ...

Leading from the Bhow's tent is the principal street, in which the *surrafs* and the rich merchants pitch, each man in his own place; in

¹²⁰ Ruchira Banerjee, chapter 5.

this street are sold European broad cloths, and various merchandizes from all parts of the world: rich silks, satins, damasks, brocades, shawls, Kamkhabs, velvets, pearls, gems of all kinds, &c. &c.

... Leading from the main streets are others in which grain, cloths, &c. of all kinds are sold. Every trade and profession is carried on here, as in a great city: ... all vocations are seen proceeding with as much earnestness on the part of their professors, as in a well regulated city in time of peace ...¹²¹

This lively description reflects as much on the nature of war at the time, as it does on the personal concerns of the belligerents. An army camp offered a measure of physical security to traders and work people. It clearly also provided the opportunity for service and exchange, for trade kept up behind the battle lines. Indeed, in the Carnatic wars, almost all belligerents, whether they were the British, or the French or Hyder and Tipu, were concerned not only with protecting merchants in the territories they themselves controlled, but were also keen to demonstrate to merchants in enemy territories, their own effectiveness in providing protection, since they relied heavily on these merchants for the conduct of trade.¹²² In 1780, for instance, anticipating an attack from Hyder, members of the Madras Council voiced their anxiety for the security of the 'black' town of Madras. In an oblique reference perhaps to their own trade interests, they urged steps ought to be taken 'to Calm the Minds of the Inhabitants ... the Riches contained within those Walls are too great to be left neglected and exposed, when we have so fair an opportunity of securing them.'¹²³

Besides, for success in war armies had to be adequately provisioned and this could only be done if the *surrafs* and suppliers of essential commodities were assured protection. War could be lucrative business for merchants and contractors.¹²⁴ In

¹²¹ E. Moor, *A Narrative of the Operations of Captain Little's Detachment and of the Mahratta Army Commanded by Purseram Bhow* (London, 1794), pp. 82-3.

¹²² Ruchira Banerjee, chapters 5, 7, 10.

¹²³ *First Report from the Committee of Secrecy, appointed to enquire into the Causes of the War in the Carnatic and of the Conditions of the British Possessions in those Parts* (London, 1782). Appendix 1, Resolution passed by Hector Munro, Charles Smith and John Whitehill, Fort St. George, 1 Aug. 1780.

¹²⁴ Cf. the activity of the English contractor, Cockburn during the war with

short, the conduct of war and that of trade were closely intertwined. This is well illustrated in the activities of the great carriers of bulk goods, the *banjaras*, whose vitality derived as much from their expertise and the strength of their internal organization, as it did from the fact that their services were indispensable to the armies.

In the age before the arrival of railways, the *banjaras* were the principal carriers of bulk goods all over India. Using pack bullocks, generally several hundred at a time, they travelled all over the country traversing the most difficult terrain, carrying cotton, salt and other commodities, but above all grain. At the head of the *banjaras* of the Deccan were two *Naiks*, whose main occupation was to obtain intelligence on places where prices had become high due to war or scarcity. Perhaps it was because of their function as suppliers of grain to localities struck by famine that they were regarded as being 'sacred'. They moved about only lightly armed against wild animals and robbers, considering themselves safe from attack. There had been instances, it was said, where large bodies of *banjaras* passing near army camps, and refusing to offer the grain they carried, had been allowed to move on to the enemy, 'the dread of alarming them, and thus banishing them for ever, being sufficient to protect them from interruption.'¹²⁵ The *banjaras* acted as carriers for other dealers, but were often merchants in their own right as well, a fact that suggests that at least some had accumulated capital. Moreover, at least in Malabar, they were also involved in carrying export commodities, notably pepper and sandalwood to the coast.¹²⁶

As suppliers of provisions and transporters, the *banjaras* proved to be crucial to British success in the war against Tipu. Cornwallis had engaged them in the service of the army and, being amply supplied with funds from home, he could pay them well. Dirom, describing the campaign noted that they (the *banjaras*) 'were constantly bringing forward supplies to an extent

Tipu. Major Dirom, *A Narrative of the campaign in India which Terminated the War with Tipoo Sultan, in 1792* (London, 1793), p. 39.

¹²⁵ E. Balfour, 'On the Migratory Tribes of Natives in Central India', *Journal of the Asiatic Society of Bengal*, vol. XIII., pt. 1, Jan.-June 1844, New Series, p. 2.

¹²⁶ Ruchira Banerjee, chapter 4.

that could never have been accomplished by any arrangement of public carriage'.¹²⁷

One of the biggest hazards with which the *banjaras* had to contend was the loss of livestock from disease or natural calamity.¹²⁸ In addition, they were hit by measures of the British government early in the century. Banerjee has pointed out, for instance, that in Malabar, after 1805, the carriers were forced to buy and sell their cargoes of salt only at the government depots in Mangalore and Tellicherry. They were also obliged to follow a fixed route to the interior, while transit duties, especially on low priced goods of mass consumption such as salt, tobacco and rice were disproportionately high. In these circumstances the free trade of the *banjaras*, hitherto guided by market forces, was severely curtailed.¹²⁹

The awe and reverence the *banjaras* inspired throws light on the bases of unwritten convention in traditional exchange. Eventually, the railways made their services redundant. Having lost their function as the indispensable distributors of vital foodstuffs and raw materials in pre-industrial society, the *banjaras* were themselves marginalised as a people. It was an indication perhaps of their stretched circumstances that at mid century they were sometimes found to be using cows instead of bullocks for carriage, a practice that invited the censure of the devout.¹³⁰

The transition to the early colonial state, we have noticed, was marked by a severe economic depression, some of the possible causes of which we have suggested above. In discussions of the revival of trade which, it is said took place in the early 1840s, the focus has been on the commodity composition of trade, and on its volume.¹³¹ Here, as in the case of overseas trade, an important issue that ought to be addressed is that of the terms

¹²⁷ Dirom, p. 86.

¹²⁸ An incident was reported in which a group of *banjaras* lost a hundred bullocks due to a hail storm in a single night. W.J. Harding, Collector, Aligarh, to Board of Revenue, Western Provinces, Consultation, 12 March 1823, Number 1, India Office Library.

¹²⁹ Ruchira Banerjee, chapter 5.

¹³⁰ Cf. petition of Hemraj Walljee, *mucaddam* of dockyard, to the Governor of Bombay, dated 8 Dec. 1855, General Dept., vol. 77, compilation 431 (MSA).

¹³¹ Cf., Bayly, *Rulers*, p. 298.

of trade that determined the price at which agricultural produce was exchanged. Was it the case that these years saw the emergence of a money market, and administrative mechanisms, that induced agricultural producers to sell their goods at prices that were optimum for buyers and exporters?

INDIAN MERCHANTS AND MIDDLEMEN

The web of connections between various merchants, between merchants and the state, and between each of these and the foreign trading companies, may be observed in the many faceted institution of 'protection'. At its simplest, protection implied the proclaimed financial or physical support a broker, merchant or financier enjoyed from a patron. The latter's financial, social and political status ensured his effectiveness as a dispenser of protection. We get a lively view of protection at Surat in the mid-eighteenth century.

In 1750, Jan Schreuder, the retiring chief of the Dutch factory at Surat, wrote a 'memorie', or memorandum, in which he reviewed the trade of the port.¹³² He appended a list of the leading merchants of the city, together with the amount of their capital. The list consisted of those who 'belonged under' one of the European companies, the Dutch, English, French and Portuguese, and others not closely associated with Europeans. The latter were grouped as Armenians, Turks, Mughals, Muslims, Nagars, Baniyas, Khattris, Kashmiris, Sindhis and Bohras. It is clear that precise ethnic identities, rather than the broad categories such as Muslim, Hindu, and so on, were significant for Schreuder.

The memorandum subdivides those merchants who were closely connected with Europeans, in each case, into those who were 'servants' of the company, those who enjoyed 'firm protection', and 'outside merchants and brokers'.

Schreuder's list may not have been comprehensive, and it may have reflected the bias of a Dutch Company servant. All the same, it gives us valuable information about the mercantile

¹³² Schreuder.

community of Surat at this time, in particular, its ethnic composition.

Apart from Babuji and Zafarbai, sons of Mohammadbhai, suppliers of piecegoods to the English Company, not a single Muslim name is found among merchants connected to the Europeans. On the other hand, among those merchants who were not closely connected with Europeans, we notice a number of wealthy Turks that included the Chellabi brothers, with a capital of Rs 100,000 and several prominent Armenians, among them, Khoja Marker who had a capital of Rs 200,000. Schreuder also mentioned a number of 'Mughal' merchants of whom the wealthiest, Mir Abu Talib, had a capital of Rs 150,000. He listed, besides, 'Muslim' merchants, who were perhaps Gujeratis. The wealthiest was the famous Mulla Fakhruddin whose capital he estimated at Rs 200,000. The Bohras, all Muslims, are listed separately. So too are the Kashmiris, again all Muslims. Somewhat surprisingly, those listed as Sindhis too all have Muslim names. They were persons of comparatively modest capital. It is possible that some of them were Khojas who had not yet embarked significantly upon their migration to Bombay, where many later became prominent merchants.

The wealthiest by far of all the merchants Schreuder listed was the family of the late broker to the English Company, Manakji Nowrozji whose capital was Rs 500,000. The longest sublist consisted of 'Baniyas' who were Hindus or Jains, the majority of them persons of small capital. The large number of *baniyas* emphasized the diffusion of mercantile capital over a numerous body of small holders.

The decline of Surat, a process closely interwoven with the falling fortunes of its great merchants, has been vividly portrayed in Ashin Dasgupta's masterful study.¹³³ Before the century was out, the English had gained political control over the city. The support of the *baniyas*, it has been argued, helped them to achieve their goal.¹³⁴ In a city that had supported a delicate

¹³³ A. Das Gupta, *Indian Merchants and the Decline of Surat c. 1705-50* (Wiesbaden, 1979).

¹³⁴ L. Subramanian, 'The West Coast of India, the Eighteenth Century', (Ph.D. thesis, Visva Bharati, 1984) (hereafter Subramanian, 'The West Coast...').

balance of ethnic identities, the contest for power triggered an outburst of violence between the communities.¹³⁵

Schreuder did not explain what constituted 'protection'. But the significance of the institution becomes clear in an appendix to the *Memorie*, where he dwelt upon the mutual obligations that governed the dealings of the Dutch Company and those merchants who 'belonged' under it. The 'servants' of the company received a fixed remuneration for their services but were, at the same time, persons of independent capital who traded on their own. Those who enjoyed 'firm protection' were also independent merchants who, in their dealings with the Europeans confined themselves to one of the European companies. Schreuder declared that such persons 'must be maintained in everything, indeed, even to the utmost against the ruler'.¹³⁶ These merchants seem to have valued the physical and political protection of a European company rather than the monetary benefit of the connection. Thus, the shroff of the Dutch Company received no more than 'the cost of the sacks, and 1/16 per 1000 of what goes in and out of the cash box', a sum too small to be worthwhile. What he did enjoy was firm protection 'against the rulers'.¹³⁷

The other European companies, it may be assumed, provided protection in a similar manner. Thus, two years after Schreuder wrote the *Memorie*, the authorities of the English Company at Surat interceded with the governor of the city on behalf of the merchants under English protection, and succeeded in gaining exemption for them from the tax other merchants had to pay for buying off the Marathas.¹³⁸ Such incidents were a portend of the growing strength of the English Company. They helped to cement the reciprocal links between the Company and Indian merchants and bankers, links that assumed an added importance after the conquest of Bengal when these

¹³⁵ Lakshmi Subramanian, 'Capital and Crowd in a Declining Asian Port City: The Anglo-Bania Order and the Surat Riots of 1795', *Modern Asian Studies*, vol. 19, no. 2, 1985.

¹³⁶ Schreuder, Appendix B, p. 167.

¹³⁷ *Ibid.*, p. 361.

¹³⁸ Lakshmi Subramanian, 'The Castle Revolution of 1759 and the *Banias* of Surat: Changing British-Indian Relationships in Western India' in D. Tripathi (ed.), *State and Business in India* (Ahmedabad, 1987), pp. 107-8.

bankers provided a vital conduit to the Company for moving funds from Bengal to Bombay.¹³⁹

There is a common belief that in Surat and Bombay, the British had a particularly close connection with the Parsis. It is true that Parsis were frequently to be found among middlemen serving British merchants, so much so that the broker of a British firm was often referred to as the firm's 'Parsi'.¹⁴⁰ But it would be misleading to assume that there was an over arching ethnic bias in the British choice of middlemen and assistants. In the eighteenth century, Indian shipowners, Hindu, Muslim and Parsi, provided space on their ships to Europeans in the coastal trade. Europeans and Indians often entered this trade as respondentia lenders.¹⁴¹

Among those with whom the British in Bombay had a connection extending over a hundred years, was the family of the well known nineteenth century banker, Jagannath Shankerset, whose grandfather, Babulset Gambaset, was the owner of the *Shybar, Daria Daulat*. In 1766, Babulset provided freight on his vessel to two English merchants, Bruce Fletcher and George Green, for a cargo of grain to be picked up from the Konkan ports and shipped to Calicut.¹⁴² The family appears to have developed ties of trust with the British. John Beaumont, chief of the English Company's factory at Tellicherry, which was under the Bombay Presidency, made a will in which he left 1,000 rupees to Babulset's son, Shankerset, to provide 'friendly aid in settlement of my accounts at the Marine stores office'.¹⁴³ Shankerset's son, Jagannath Shankerset, was well known in early-nineteenth-century Bombay for readily giving private loans to individual Europeans.¹⁴⁴ It was not surprising that, with the rise of private European international banks in India, persons such

¹³⁹ Subramanian, 'The West Coast . . .', Furber, this selection, pp. 90-2.

¹⁴⁰ Cf. Jamsetjee Jejeebhoy's reference to, 'Messrs. Forbes and Company's Parsee . . .', Jejeebhoy, Bombay, to Jardine, Canton, 1 Feb. 1826 (J. MSS.), vol. 348.

¹⁴¹ Subramanian, 'The West Coast . . .' p. 148, n. 1, p. 149, n. 2. For similar activity in Calcutta, see Marshall, *East Indian Fortunes*, p. 71.

¹⁴² Subramanian, 'The West Coast . . .', p. 148.

¹⁴³ Furber 1, p. 214.

¹⁴⁴ Siddiqi, this selection.

as Jagannath Shankerset became directors of some of these banks.¹⁴⁵ A lack of male heirs and litigation precipitated the eclipse of the family towards the end of the nineteenth century, but not before it had played a part in aiding European merchants and banks.

MID-NINETEENTH CENTURY

It has been noticed that Marwaris, Khojas and Baghdadi Jews were acquiring a conspicuous position in the opium trade towards the middle of the nineteenth century. Another significant development at about the same time was the emergence of a number of Gujarati cotton merchants who, as against the erstwhile China cotton merchants, were engaged in the shipment of cotton to Lancashire. The names of some of these merchants appear in memorials addressed to the Bombay government, requesting berthing facilities for cotton boats from Gujarat, and storage space for cotton.¹⁴⁶ They included such well known persons as Gokuldas Tejpal and Jivraj Balu, both of whom later became industrial entrepreneurs. A lesser known signatory, Vardhman Poonsi, was among the many who became insolvent in the commercial crisis of the mid 1860s.

One of the most significant new developments in the arena of banking at mid-century was, as we have mentioned, the rise and expansion of the exchange banks. In contrast to the official banks, namely the three Presidency Banks, which eschewed foreign exchange business, the private banks that were established, particularly in the port cities, put the Indian money market in direct contact with international finance. The banks had connections with international banks in Europe and America, while they drew upon the resources of the well developed Indian money market. A cursory view would suggest

¹⁴⁵ Jagannath Shankerset was a director of the Oriental Bank and later of the Chartered Mercantile Bank of India, London and China. *Bombay Times Calander and Almanac for 1851; Bombay Almanack and Book of Direction; 1859, 'Bombay Gazette Press'.*

¹⁴⁶ General Dept., 1859, vol. 22, p. 17 *et seq.*, and p. 21 *et seq.*, MSA.

that the exchange banks competed for financial capital both with the trading companies, Indian and European, engaged in overseas trade and with indigenous Indian financiers. At the same time, the activities of all of these dovetailed with each other in the conduct of this trade. Indian traders, active in internal markets, served to move bulk commodities out from the interior for export. From the middle years of the century, India's export trade came increasingly to be dominated by the European trading houses.¹⁴⁷

The banks facilitated this function. A case in point is the consignment trade which appears to have been prevalent among many Indian exporters even at the end of the century, while the European companies, it would appear, were resorting with greater facility to trade on order. Indian merchants engaged in consignment trade were particularly vulnerable to sudden market failures. This fact came home with particular force at the time of the collapse of the cotton trade in the mid 1860s.

By the middle of the nineteenth century, London had become the world's banking capital. The crucial links in the commercial chain that connected it to colonial India, the elements of institutionalised inequality, the relative vulnerability of certain institutions and the consequences of these for India's trade and banking require fuller appraisal.

HISTORIOGRAPHY

We have already touched on some aspects of the historiography of Indian trade and finance in the late eighteenth and early nineteenth centuries.

The pioneering works of Holden Furber continue to be indispensable on the subject of European trade with India. Among earlier studies, those of J.C. Sinha, N.K. Sinha and Amales Tripathi provide valuable information on monetary developments and trade in Bengal. Ashin Dasgupta's work on Malabar tells the story of the maritime trade of a portion of the west coast,

¹⁴⁷ Cf. Vicziany, this selection.

while Nightingale deals with that of all of the west coast from the standpoint of imperial concerns.

A marked trend in more recent research has been to focus on sections of the overall canvas, and to study regional trade and finance, or the history of particular communities, or again trade in certain commodities. This research includes, among others, the works of Arasaratnam, Bajekal, Kumkum Banerjee, Ruchira Banerjee, Dilbagh Singh and Ashok Rajshirke, Divekar, Sharma, Lakshmi Subramanian, and P. Sudhir and P. Swarnalatha.¹⁴⁸

These writings, of course, do not all adopt the same perspective. Together they have enriched our understanding of the levers of trade and of the forces that shaped local markets.

This material may enable scholars to take a synoptic view of the history of trade and finance in the early colonial period. Perhaps the need of the hour is the integration of these islands of history into a credible picture of the whole. One line of approach, we have suggested, would be to pay greater attention to the financial and monetary factors that shaped the history of India in these formative times.

Somewhat distinct from the literature so far mentioned is C.A. Bayly's ambitious work, *Rulers, Townsmen and Bazaars; North Indian society in the age of British Expansion, 1770-1870*. The wide scope of the book and its being regarded as an authoritative work in this area warrant a more detailed appraisal from us.

Although Bayly's is a regional study he attempts to write something of a 'total history', building from ground level upwards. The book encompasses such matters as the structure of the family firm, caste and class formations, merchant organizations, political developments, and even ecology.

An earlier review of Bayly's book had noted certain shortcomings which became more conspicuous on a second reading.¹⁴⁹ Readers of the book are likely to encounter some difficulty following the thread of his arguments in a densely packed text. The problem is compounded by the fact that in many places

¹⁴⁸ See bibliography.

¹⁴⁹ Siddiqi, *IESHR*, vol. xxii, no. 1, 1985.

there is no documentation at all,¹⁵⁰ or it is thin, while in certain places it is erroneous.¹⁵¹ This makes it very difficult for the reader to evaluate the author's conclusions.

¹⁵⁰ In certain portions of his text which Bayly does not document, one occasionally notices echoes of earlier research writings. This is the case, for instance, in his discussion of the bullion and grain trade of Farrukhabad, and of the closure of banking firms in the city as a consequence of the collapse of the indigo trade in the late 1820s (Bayly, p. 289. Cf. Siddiqi, *Agrarian Change*, pp. 170-1. See above pp. 35-6). Bayly has of course worked extensively on the deployment of bullion and on city-based banking in northern India. References to his own research would have been enlightening.

¹⁵¹ For example, Bayly identifies areas of western Hindustan as being "unstable" compared to the "stable" eastern portion of the region. He suggests that the western areas may have become drier in recent centuries. For evidence he turns to two contemporary accounts, those of David Butter, *Outline of the Topography and Statistics of the Southern Districts of Oudh and of the Cantonment of Sultanpur-Oudh* (Calcutta, 1839) and J.H. Batten, 'A Few Notes on the Subject of the Kumaon and Rohilkund Terrai', (*Journal of the Asiatic Society of Bengal*, vol. 13, 1844). He quotes Butter in two places, as mentioning "the 'unremitting advance' of the hot summer wind (the *lu*) in recent decades . . ." (*Rulers*, p. 85) and again as referring to "the 'rapid advance in recent years of the hot winds' from the Rajasthan Desert . . ." (*Ibid.*, p. 297)

In fact, these words do not occur in Butter's text which, after the usual clichés about the poor administration of Oudh, adds an impressionistic remark, about 'a diminution of its annual supply of rain, probably in part dependent on the extensive changes of the seasons and the winds, which have been remarked within the last twenty-two years, all over the Indian peninsula and the seas, and in part on the steady advance of the dry winds . . .' (Butter, p. 48). Without citing any evidence, Bayly then writes of "the hot winds from the Rajasthan Desert which were now penetrating further east, drying out the soil and making the plantation of summer (*zaid*) crops more or less impossible".

Bayly's reference to Batten appears to be even more misleading (*Rulers*, p. 85).

While writing of conditions in the *terai*, the Himalayan foothill areas of Hindustan, Batten notices 'remains of forts and residences, and mango groves, which go far to shew, that the climate at those sites was not in former times as insalubrious as at present, when few men in power would confine their retreat from the Turae heats to such low elevations in the mountains as these. His description of the deterioration of the area, as compared to earlier times when it was extensively cultivated, ties in with an account of its political turmoils as a result of which cultivation had fallen off (Batten, pp. 893-4).

Now, in the context of the *terai*, literally, 'wet land', any mention of shrinkage of cultivation and of the climate becoming 'insalubrious' can mean only one thing, namely, regrowth of jungle and swamp. This would make the place

In addition, the book contains some remarkable misstatements. Prince Khusro, son of Jehangir, whose mausoleum is in Allahabad, is confused with Amir Khusro, the fourteenth century poet.¹⁵² The commercial crisis of the late 1820s and early 1830s is mistakenly located in Bombay rather than in Calcutta. There was no 'bubble burst' in Bombay at this date.¹⁵³ Contemporaries referred figuratively to the rustics being drafted into Asaf-ud-dowla's service as 'telangi rajas'.¹⁵⁴ Bayly changes the words to 'Tilangana Rajputs', and uses them in a literal sense.¹⁵⁵ They become quite meaningless.¹⁵⁶

Despite such flaws, Bayly's book offers a wealth of ideas which scholars may find it fruitful to explore.

CONCLUDING REMARKS

In the century after Plassey, the map of India was redrawn to assume what came to be its lasting colonial contours. A crucial interface of this process was the restructuring of trade which, in turn, had far-reaching consequences for the country's resource base: the range and balance of its human and material resources.

damp and unhealthy, that is malarial, the opposite of what Bayly asserts, drier.

On the basis of such inadequate evidence, Bayly speculates on the occurrence of "a change in local ecologies" and of "a general climatic change related to the end of the so-called Little Ice Age of 1400-1600 . . ." (pp. 297, 85).

Climatic and ecological changes may well have been in progress in the area but they are likely to have been relatively unobtrusive, especially as population pressure had not built up at the time. In any case, the occurrence of such crucial changes would have to be established on the basis of harder evidence.

¹⁵² Bayly, *Rulers*, p. 129.

¹⁵³ *Ibid.*, p. 264.

¹⁵⁴ Mohammad Faiz Bakhsh, *Tarikh-i-Farahbukhsh*, Translation, William Hoey, *Memoirs of Delhi and Faizabad* (Allahabad, 1889), vol. II, p. 21, quoted in R.B. Barnett, *North India between Empires* (University of California Press, 1980), p. 135 & n.

¹⁵⁵ Bayly, p. 26.

¹⁵⁶ One can go on and on. A *charkha* is a spinning wheel, not a gin (Bayly, *Rulers*, p. 246). *Jama* is land revenue assessment not 'fixed or fluctuating cash payments' (*Ibid.*, p. 41). A *barhai* is a carpenter, not a grower of betelnut (*Ibid.*, p. 340).

Even though production for local use and internal trade continued to occupy by far the predominant place, production for export became increasingly important. Coupled with this was a reordering of the structure of trade: the diminishing export of manufactured goods and an increase in that of primary produce. This encouraged the cultivation of crops which did not simply displace food crops but led to an enormous increase in cultivated acreage. Food crops themselves acquired a novel significance since later in the century, food grains became an important item of export. By the middle of the century conditions had come into existence for a sea change. Before the century was out, almost all the available cultivable land had been brought under the plough. Together with this was an unprecedented exploitation and depletion of forest land. The long term ecological implications of these processes are only now beginning to be appreciated.

The expansion of trade was, as we have indicated, closely linked with British conquest and domination, and the supersession of the East India Company by private European traders and financiers. The transition entailed a series of changes in the structure of trade and the way it was financed, the overall consequence of which was the subordination of Indian producers and of enhanced British control of the Indian money market.

The cumulative impact of these changes found expression in the profound and prolonged depression which, in varying degrees, affected large parts of India in the late eighteenth and early nineteenth centuries. We have suggested some lines of approach to explaining the depression. Among the important contributory factors were the depletion of the country's bullion resources, the loss of foreign markets for manufactured goods, the competition of imported British goods in the indigenous market, and the shrinking of the internal demand for local goods and services because of the displacement of the Indian ruling classes. The event calls for more thorough study if we are to understand its long term consequences for economic growth.

India became closely linked to the expanding networks of international trade and monetary exchange, occupying in these networks a position subordinate to and supportive of British

imperial interests. Here, the function of the exchange banks was probably very important.

The period saw the emergence of the modern sector in India. Key aspects of this development were the rise of an industrial middle class and of opportunities for modern industry within the ambit of the colonial connection. While many older *kothis* and merchants were eclipsed, and many lost their fortunes in recurrent financial crises, others switched successfully to the new export trades. Very considerable fortunes were made in the export sector, especially in opium and cotton. Still others came into prominence as brokers, whose services were vital to the mobilization of overseas and internal trade. As we have mentioned, internal trade and the trade in bullion within the country remained throughout in the hands of Indians. From being interested in trade alone, Indian entrepreneurs turned their attention to industrial production. However limited its base, the modern sector was of immense importance for the future.

The choice of texts in this volume aims to cover some of the salient issues in the area as well as to include selections from the writings of representative historians. References to these writings in this introduction have already partly indicated their scope.

The excerpt from James Steuart is one of the earliest and most candid statements of the drain of resources from Bengal after the Company acquired the *diwani*, from the pen of a leading political economist of the eighteenth century. Holden Furber is represented by the portion of his classic that deals with Madras and Bombay, regions that, for the eighteenth century, have perhaps received less attention than has Bengal. N.K. Sinha's chapter captures something of the cosmopolitan character of the merchant community of Bengal in the eighteenth century, a feature which was in the process of change. Ashin Dasgupta's piece from his study of Malabar in the latter half of the eighteenth century, portrays aspects of merchant activity which were being transformed by the rising power of the East India Company and private European traders. Marshall explores the

intricate internal markets of Bengal and the way they were penetrated by Europeans in the period immediately after the conquest. My piece looks at the career of an important Bombay merchant in the nineteenth century, and focuses on the opium trade and exchange networks. Bayly and Timberg study northern India in a period of structural change, when manufactured goods were giving way to primary products in the composition of India's exports. Tripathi deals with the background and course of the commercial crisis of 1847-8, an event that was particularly ruinous to leading entrepreneurs in Bengal. Chaudhuri makes a quantitative analysis of India's foreign trade for twelve years. Borpujari examines a somewhat neglected subject, the working of the system of inland duties that disadvantaged Indian merchandise as against European. Vicziány describes the functioning of the consignment trade and the structure of the merchant community of Bombay in the nineteenth century.

APPENDICES

APPENDIX 1

ANNUAL AVERAGE GOLD PRODUCTION OF THE WORLD

1761-80	20,705 kilograms
1781-1800	17,790 kilograms
1801-1810	17,778 kilograms
1811-1820	11,445 kilograms
1821-1830	14,216 kilograms

SOURCE: Soetbeer, *Litteraturnachweis uber Geld und Munzwesen*, cited Silberling, 'British Financial Experience 1790-1830', *Review of Economic Statistics*, 1919, vol. 1, 286.

APPENDIX 2

NET YIELD PER SICCA RUPEE FROM DIFFERENT
MODES OF REMITTANCE TO ENGLAND, 1818

- | | |
|---|------------|
| (1) In gold <i>mohurs</i> @ £ 4-16s per oz. for standard gold | = 2s-5.29d |
| (2) In bills on England @ 2s. 6d per <i>sicca</i> rupee less interest | = 2s-4.57d |
| (3) In <i>sicca</i> rupees @ 6s-2d per oz. for standard gold | = 2s-3.72d |
- Note: (1) is 2.52 per cent more than (2), and 5.66 per cent more than (3)

SOURCE: Mint Committee to G. Dowdeswell, Fort William, 29 March, 1818, no. 85, *Mint Committee Proceedings, Letters Sent*, Jan. 1817-Nov. 1818, National Archives of India.

APPENDIX 3

EXCHANGE RATES, 1813-29
Bills on London at Six Months Sight Per *Sicca* Rupee

Year		s.d.		s.d.
1813	@	2/6	&	2/7
1814	@	2/7	&	2/9
1815	@	2/8		
1816	@	2/7		
1817	@	2/6½		
1818	@	2/7½		
1819	@	2/6		
1820	@	2/3		
1821	@	2/0		
1822	@	1/11½		
1823	@	1/10½		
1824	@	1/11		
1825	@	2/0		
1826	@	1/11		
1827	@	1/10½		
1828	@	1/10½		
1829	@	1/10½		

SOURCE: Extract from Report of Select Committee on the Affairs of The East India Company, 1831-2, BPP, vol. 7, p. xix.

APPENDIX 4

EXCHANGE RATES, 1834-50

Average Rate Per Sicca Rupee on Bills of Exchange at Six Month's Sight Drawn in Repayment of Advances made in India on the Hypothecation of Goods

1834-35	2-2.028	1842-43	2- 1.800
1835-36	2-1.836	1843-44	2- 1.632
1836-37	2-2.532	1844-45	1-11.484
1837-38	2-2.172	1845-46	1-11.712
1838-39	2-2.636	1846-47	2- 1.632
1839-40	2-2.916	1847-48	2- 0.948
1840-41	2-2.124	1848-49	1-11.484
1841-42	2-2.268	1849-50	1-11.868

SOURCE: Appendix to *Report from Select Committee*, 1852, vol. 12, p. 304; BPP, Irish University Press Series.

APPENDIX 5

EXCHANGE RATES IN CHINA

EXCHANGE RATE AND SILVER QUOTATION IN CANTON

Year	Month	Six-month sight bill on London (per dollar)	Bill on Calcutta (per 100 Spanish dollars)	Sycee (premium)
1845	1-3	4s. 4d. - 4s. 6d.	223-226 rupees (Yearly average: 224 1/2 rupees)	3-5%
	4-6	4s. 3d. - 4s. 4d.		
	7-9	4s. 2d. - 4s. 3d.		5-6%
	10-12	4s. 4 1/2d. - 4s. 5 1/2d.		
1846	1-3	4s. 5 1/2d. - 4s. 6d.	212-218 rupees (Yearly average: 217 rupees)	7-9 %
	4-6	4s. 3d. - 4s. 3 1/2d.		
	7-9	4s. 4d.		
	10-12	4s. 4d. - 4s. 5d.		

Year	Month	Six-month sight bill on London (per dollar)	Bill on Calcutta (per 100 Spanish dollars)	Sycee (premium)
1847	1-3	4s. 5d. - 4s. 5 1/2d.	212-217 rupees (Yearly average: 214 1/2 rupees)	8-10%
	4-6	4s. 4d. - 4s. 4 1/2d.		
	7-9	4s. 4 1/2d. - 4s. 5d.		
	10-12	4s. 4d. - 4s. 5d.		
1848	1-3	4s. 5d. - 4s. 6d.	cheaper than the previous year	9-10%
	4-6	4s. - 4s. 0 1/4d.		
	7-9	3s. 11 1/2d. - 4s. 2d.		7-8%
	10-12	4s. - 4s. 2 1/2d.		
1849	1-3	4s. 2d.	212-216 rupees	7-8 1/2%
	4-6	4s. - 4s. 1d.		
	7-9	4s. 2d.		8 1/2-9 1/2%
	10-12	4s. 3d. - 4s. 6d.		

SOURCE: BPP, *Returns of the Trade of the various Ports of China*, 1846; 1847; 1848; 1849; 1850, Canton. (cited Hamashita, 406)

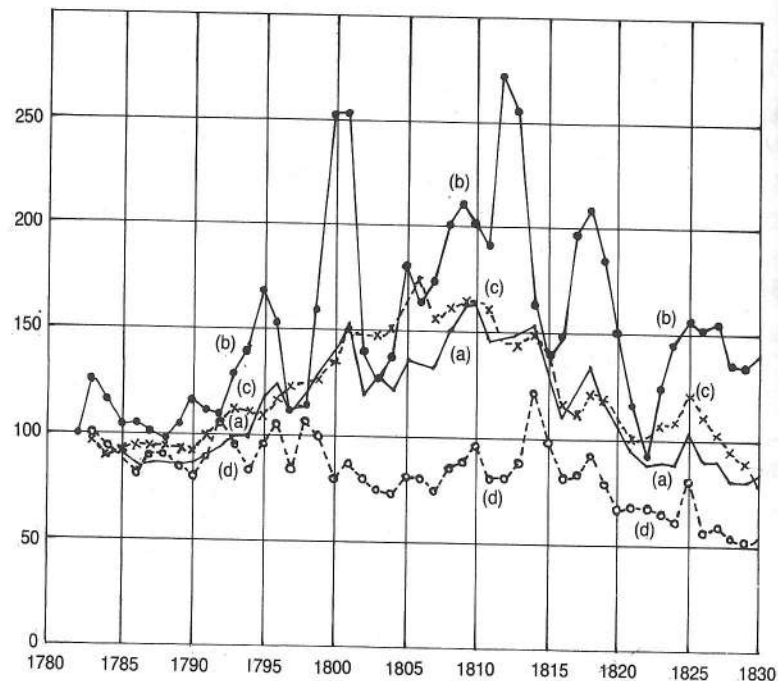
EXCHANGE RATE IN SHANGHAI
(Annual average per dollar)

1843-44	4s. 0d.	1849	4s. 6d.	1854	6s. 3d.
1845	4s. 0d.	1849	4s. 6d.	1855	6s. 5d.
1846	4s. 2d.	1851	5s. 0d.	1856	7s. 0d.
1847	4s. 2d.	1852	5s. 0d.		
1848	4s. 4d.	1853	6s. 6d.		

SOURCE: BPP, *Report by Mr Robertson. Her Majesty's Consul at Shanghai on the Trade of that Port during the year 1856*, p. 46. (cited Hamashita, 407)

APPENDIX 6

JEVONS' INDEX NUMBERS OF PRICES



- (a) Forty commodities comprising the principal foodstuffs and raw materials.
 (b) Corn (cereals).
 (c) Metals.
 (d) Oriental produce.

SOURCE: Silberling, 'British Financial Experience 1790-1830', *Review of Economic Statistics*, 1919, I, p. 284.

Chapter One

The Principles of Money Applied to the Present State of the Coin of Bengal*

SIR JAMES STEUART

CAUSES OF THE SCARCITY OF COIN IN BENGAL, AND OF THE METHODS WHICH MAY BE EMPLOYED TO LESSEN THE BAD CONSEQUENCES THEREOF

The complaints of a scarcity of coin in Bengal, once so famous for its wealth, are so general that the fact can hardly be called in question.

The revolutions of government in Hindostan, the ravages by foreign conquerors, and domestic tyrants, have no doubt, on one hand carried off the treasures, as on the other they have interrupted the trade and industry of the inhabitants, which for many ages had been the means of heaping them up.

Before the existence of an internal revenue, in favour of European nations who traded in the commodities of the country, an equivalent in silver was constantly brought from Europe for the balance of Indian goods exported from Hindostan.

But upon the East-India Company's acquiring revenue, exceeding by very far the greatest investments of Indian goods, the importation of silver into India ceased from the part of England; but the exportation of goods went on nevertheless,

* Excerpt from, James Steuart, *The Principles of Money applied to the Present State of the Coin of Bengal* (London, 1772).

consequently the industry of the workman was paid for with the money of his own country.

The consequence of this was, to diminish greatly, if not quite to absorb that fund of domestic industry, from the exportation of which the country drew every year new treasures from foreign nations.

There is no nation any ways conversant in trade, which does not exchange some commodities against those of the nations with whom it trades, and if there be wealthy people in such countries, they will retain their taste for foreign luxuries, even although the consumption of them should be prejudicial to their native country. We are not therefore to suppose that Bengal has been an exception from the general rule. Consequently the goods exported from Bengal by the English having occasioned no importation of money from England in return, the importation of goods from England, and from their Indian neighbours, must have been paid with the money of Bengal exported, to the diminution of the general fund.

The articles of importation into Bengal as far as they are not compensated with the exportation of their own commodities, not bought up with the very money of the country, is therefore one article of drain from their original wealth.

The second I shall mention, is the specie carried out by the Company for the China market, which in the space of three years, amounts to about 7200001, sterling.

The third is, the annual subsidy paid to the Great Mugul, which is sent out of Bengal, and never returns.

The fourth is, the money laid out in buying diamonds.

The Company considering the diamonds of the country as no way useful for carrying on circulation, permitted the exportation of them. The consequence was, that presents which otherwise would have been made in coin, were made in jewels; and as the jewels in the country were of a limited extent, and that there are no diamond mines in Bengal, the coin was sent out of Bengal for the purchase of the diamonds, and was virtually exported to the diminution of their wealth.

The fifth drain is the lending of money to foreign nations trading to India: Such as the French, Dutch, Danes, and Swedes;

all these nations have a trade to Hindostan, China, and other parts of India.

The Dutch carry on this trade, and pay a great part of their investments every where in spiceries, which are the product of their own dominions, the spice islands.

This is a fund the most extensive, and the most inexhaustible: Extensive, because spiceries are a necessary of life to most of the Indian people: Inexhaustible, because nature produces a new supply every year.

It is a question worthy of disquisition, whether the spice islands do not produce to Holland more clear revenue, than all our East-India Company can realise from their settlements in Asia. A revenue collected at a small expence; administered with the less abuse, because instead of consisting in money, it consists in natural produce; and because the countries which produce it, not being exposed to foreign enemies, the enormous expence of armies and fleets, is entirely saved.

These circumstances considered, it follows, that the Dutch have less occasion for silver, in carrying on their Indian trade, than any other European nation, Great-Britain excepted. Whatever money, however, is borrowed by the Dutch, French, Danes and Swedes, from British subjects residing in the settlements belonging to the East-India Company, may very justly be put down as an article of drain from the coin in question.

The French, Swedes, and Danes, among other branches of Indian trade, send each two ships to China yearly, from which country they import above six millions of pounds weight of tea; the greatest part of which is from the French ports in our neighbourhood, smuggled in upon the coasts of Britain and Ireland, and into our settlements in America and the West-Indies.

The China trade is what requires *silver* the most of any. The only method for the French, Danes, and Swedes, to procure this commodity, is by converting the return of their trade into bills upon Cadix, where at a great expence they procure silver.

Now if they can borrow money from British subjects in our East-India settlements, at a lower rate than they can procure it at Cadix, there is little doubt but they will do it; and if British subjects can lend money to those nations at a higher rate than

what they can procure to themselves in remitting through the cash of the East India Company, there is little reason to doubt of their accepting such offers.

Besides the China trade of those nations, concerning which we are now enquiring; namely, the French, Dutch, Danes, and Swedes: The French occasion a drain peculiar to themselves: They have considerable settlements on the coast of Choramandel, and they have occasion for money to make their investments there. The money therefore they borrow from the English in Bengal, they carry out of the country never to return; and consequently this also may be stated as another article of drain.

Upon the whole, with respect to the lending to foreigners, we may conclude, that whatever sum be lent, more than what is invested by the borrowers in the country of Bengal, is drained from thence. I have pointed out the interest they may have to carry the coin away, in order to counterbalance the common opinion, of there being little loss to Bengal from the lending of money to foreign nations; because it is supposed to be invested in merchandize, the product of Bengal.

The sixth drain is a consequence of the internal situation of Hindostan. The Company's settlements are environed by many hostile nations: This of necessity draws the army towards the frontier. The expence of an army is very great, and one great part of this expence is its subsistence.

Whoever furnishes any article for the consumption of an army, makes the price it is bought with his own; consequently all the money spent for articles furnished by the neighbouring countries, is lost to Bengal. The extent of this article may be enquired into by the Company; a hint is sufficient to call their attention towards an object of so great moment.

At setting out I observed, that every thing exported from Bengal for value received from abroad, not paid for out of the Company's revenues, was an article of augmentation of the coin. That every thing imported from whatever quarter, and paid for with the money of Bengal was an article of drain.

This being established, I must state, as the seventh article of drain, whatever raw-silk, cotton, or other merchandize fit for

manufacture is imported from other nations, unless as far as it is paid for by the exchange of commodities.

The importation of the raw materials for manufacture is in general a most profitable branch of trade to an industrious nation. But if we suppose these materials, when manufactured, to be exported without any value received in return from abroad, the consequence with respect to the object now under consideration, will be the same as if such raw materials were manufactured for the consumption of the inhabitants themselves. Such manufactures therefore, when actually consumed in Bengal, will contribute to augment the luxury of that country at the expence of its wealth; and when exported by the Company they will add to the wealth of the Company, when realized into money, at their London sales, but still at the expence of the wealth of Bengal.

The eighth and last drain I shall mention, is the money sent by the Company from Bengal to Madras and Bombay. The extent, as well as the necessity of this drain is so well known to the Company, that it is here stated for memory only.

These are the drains which occur to me from the very slender knowledge I have of the trade of Bengal.

Chapter Two

Trade and Politics in Madras and Bombay*

HOLDEN FURBER

Early in May 1787, Captain W.A. Gay of the 'country' ketch *Nymph* sat on the verandah of his bungalow at Negapatam deeply troubled in spirit. He had recently heard from Madras that the new governor of the Presidency, Sir Archibald Campbell, had ordered every European not in the Company's or His Majesty's service to give an account of himself. Like every European similarly situated Captain Gay knew he had no legal right to be in India without the Company's license, but, hitherto, no British governor had ever troubled to enforce strict compliance with that legal formality. Now, however, it appeared that the new brooms were to sweep clean. The easy-going era of Warren Hastings during which a young seaman could easily desert a Company ship to seek his fortune was gone forever. As he thought of his years of struggle to earn enough to buy his own ship, Captain Gay was uneasy. He had recently married, purchased his bungalow, and was happily engaged in trading from port to port on the Coromandel coast. He loved the life and the country. He did not like the thought of leaving India, at least not until he had acquired a competence which would support him in England. In order to avert such a disaster, he decided he must write a letter to the governor which would put his case in

* Excerpt from Holden Furber, *John Company at Work, A Study of European Expansion in India in the Late Eighteenth Century* (Cambridge, Mass. 1951), 'Trade and Politics in Madras and Bombay'.

the best possible light. Unaccustomed as he was to writing, he left the governor in no doubt as to his sincerity, for he concluded:

I am regular in discharging the Hon. Company's customs, paying my debts, going to Church, and praying to the Father of mercies for the prosperity of King George and the Honourable East India Company.¹

Captain Gay, no less than Warren Hastings, had a stake in the established order in British India. He would doubtless have been much relieved could he have known that he was to be described as an 'industrious, sober man' by the Company's servant who first read his letter, and that Sir Archibald Campbell had no intention of deporting Europeans who behaved themselves whether they had settled in India with or without the Company's licence. Nevertheless, Sir Archibald's inquisition into the lives of Europeans in his Presidency was part of the new policy of reform inaugurated by Pitt's India Act. That policy contemplated a stricter supervision of Europeans both inside and outside the Company's service. In dealing with the activities of the agents of the French, Dutch, and Danish East India companies and of illicit traders of all nationalities, we have noticed how the difficulties of these agents were increased by that policy; how their efforts to sell their bills of exchange and respondentia bonds in India were affected not only by the parliamentary prohibitions but by the English East India Company's provision of better facilities for the investment of funds in its own bonds and bills of exchange. It now remains to consider the consequences of Pitt's India Act both in India and in Europe from a purely British standpoint.

In so far as India is concerned, Madras for two reasons affords a better opportunity than either Bombay or Bengal for a complete investigation of the state of government and society in British India at this period. In the first place, Sir Archibald Campbell's investigations made in 1787 within a year of his

¹ Madras Record Office (hereafter MRO), Pub. Dept., *Sundries*, 41, W.A. Gay to Govt., dated Negapatam, 4 May 1787. See H. Furber, 'Madras in 1787' in *Essays in Modern English History in honor of Wilbur Cortez Abbott* (Cambridge, Mass. 1941), pp. 256-93, for a more detailed account of European life in Madras.

arrival at Madras, were unusually complete and thorough. Secondly, the East India Company's Madras books of account—ledgers, journals, and mint accounts—which also survive entire, tell their story more clearly than those for Bombay and Bengal. For Bombay, the Company's books, though equally complete, need to be supplemented by investigations of government at Bombay similar to those made at Madras. For Bengal, the Company's bookkeeping methods were at this period so complex that an expert accountant, trained in the twentieth century, would probably find it impossible to interpret them. An understanding of the development of Madras government and society prior to 1788 enables us to trace more accurately the course of similar developments in the other two presidencies and to appreciate more fully the social and economic consequences of Lord Cornwallis' war with Tipu Sultan.

At Madras in 1787, as at other European settlements in India, 'government' was concerned in almost every aspect of European activity. In the eyes of every European, whether he were in an official position or not, the Company's government existed to serve him. No one expected the Madras government to make ends meet and no one had an interest in extending the scope of the Company's purely commercial activities. No more illuminating commentary on the way in which the Company's interests as 'merchant' were steadily subordinated to the exigencies of its position as 'sovereign' exists than that afforded by the Company's commercial balance sheets at Madras. Sir Archibald Campbell's investigations extended to a detailed survey of the 'import' and 'export' warehouses. The survey of the import warehouse was hardly worth making. Apart from stores and supplies designed for its own use, the Company imported nothing to sell for profit except woollens, copper, and Madeira wine. As the wine was brought for consumption by the wealthier members of the European community and the woollens were then unsaleable even though continually offered at 'public outcry', there remained only the copper which was peddled out at an average profit of 33 per cent to Indian and European retailers. At the export warehouse, only two cargoes of piece goods were made up for shipment to London in the season

1786/87, and only one and a half in the season 1787/88. Their combined value hardly exceeded two lakhs of pagodas (£ 80,000).² The Company's mercantile transactions at Madras may therefore be thought of as hardly worthy of serious consideration. One ship outward and two ships homeward would have sufficed to take care of them—a state of affairs reminiscent of the early seventeenth century.

A large number of the Company's ships continued to call at Madras in order to accommodate the members of the European community in their various private capacities. Southern India was an excellent market for the miscellaneous assortments of 'Europe' articles brought out by the commanders and officers of the Company's ships on their 'privilege', and the great Madras agency houses, Balfour & Spalding, Pelling & DeFries, Amos & Bowden, and Francis Lautour & Co., liked to have the Company's China fleet call at Madras outward bound so that they could fill its vacant spaces chockfull of the raw cotton consigned to them from Bombay for transshipment to Canton. Sir Archibald Campbell was the first governor to force them to pay freight for this privilege.³

If no Madras European had an interest in expanding the Company's purely commercial activities, every European had a motive for seeing to it that the business the government did in its political capacity should not be curtailed. By 1787, it had become a vast spending organization encumbered with its own local bond debt of 28 lakhs of pagodas. It lived continually from hand to mouth. At the end of the financial year in April 1788, Sir Archibald Campbell congratulated himself because his government was only in arrears 68,000 pagodas on the pay of the civil servants, 164,000 pagodas on the military budget, 251,000 pagodas on the amounts due to creditors of the nawab of Arcot, 105,000 pagodas on the interest due on bonds, and 52,000 pagodas on the commissions due to the civil servants collecting

² MRO, Pub. Dept., *Sundries*, 40, reports of Import Warehouse-keeper, and Export Warehouse-keeper.

³ Madr. Pub. Con., range 241, vol. 3, p. 3088. These Consultations are full of references to this practice of shipping cotton.

revenue.⁴ On one side of the political ledger were the small amounts of revenue received from the territories immediately under the Company's control and the subsidies paid by local princes for military protection; on the other side were the vast expenditures for the upkeep of the army and civil service; on both sides were the sums paid in by the nawab of Arcot and then paid out to the nawab's creditors under the arrangements for the liquidation of the nawab's debts.⁵ No system could have been better devised to make business for the European agency houses.

In order to understand the situation in which the Madras government was placed, we must think of it as a business firm hovering on the brink of bankruptcy and ill-served by a group of employees who were engaged in cheating it at every possible opportunity. Since the two sides of the Company's Madras ledger could never come within measurable distance of each other without the aid of a huge subsidy from Bengal, the Madras government's chief concern was the arrangement of the transfer of this subsidy, a task which could be accomplished only with the facilities provided by the great agency houses. During the trading season of 1786/87, for example, approximately one crore of the Bengal government's current rupees were transferred to Madras, forty-four lakhs in Bengal government bonds, fifty lakhs in bills of exchange, and the balance of six lakhs in rice.

All three types of transfer, bonds, bills of exchange, and rice, meant business for the Madras agency houses. The bonds would pass through their hands in various ways. On the one hand, they could buy some of these Bengal bonds direct from the Madras government to be marketed among the Madras European community; on the other hand, they could buy the bonds from Company servants who had been paid their salaries in bonds in lieu of cash. In any case, a large amount of these bonds would remain in the care of the Madras agency houses acting in their capacity as trustees, attorneys, and executors on behalf of Company servants. The bills of exchange were of course marketed

⁴ *Ibid.*, vol. 5, p. 840.

⁵ Madras Treasury Journals and Ledgers, *passim*.

directly among the agency houses by the government. The government advertised publicly for tenders for its bills on Bengal. The various houses then offered the amounts desired and agreed to pay the golden pagodas into the Company's Treasury in Fort St. George. The rice contracts chiefly benefited European rice contractors at Calcutta, such as George Tyler, who dealt with the Bengal government, but the rice after arriving in Madras on a fleet of 'country' ships was marketed with the help of Madras merchants.⁶

The difficulties of carrying on widespread business operations in eighteenth-century India are extremely well illustrated by the Company's Madras books.⁷ In spite of the regularity with which transfers of funds were received from Bengal, the Madras government was constantly in difficulties. More than once during a financial year it would find itself utterly unable to meet absolutely essential payments out of the resources it had available in the Fort. At such times, the governor would desperately look about among the financial statements of the subordinate factories and residencies seeking one upon which he could draw for help. He was thus constantly in contact with Indians *shroffs* and merchants, for it was they who did most of the business with the remoter parts of the Presidency. Without their help, transfers of funds between the Madras government and its subordinate 'Chiefs and Councils' in the north and 'Residents' in the south could not be made. Since business, and especially Indian business, was transacted in terms of every conceivable kind of silver rupee and gold pagoda circulating in southern India, the Company's accounting problems were extremely complex. They must have occupied a large share of the energies of the sixteen hundred Indian employees already working under the direction of the Company's civil servants. Many of these Indian clerks were solely occupied in bringing hundreds of

⁶ Madr. Pub. Con., range 22.0, vol. 67, p. 487; range 241, vol. 2, p. 2384; vol. 6, p. 1287.

⁷ See numerous letters to and from the subordinate settlements in Madr. Pub. Con., range 240, vols 67 and 68 and range 241, vols 1, 2, 3 and 4; sundry items in Madras Treasury Journals for 1780s, and reports of government departments in MRO, Pub. Dept., *Sundries*, 40.

transactions into some semblance of order to enable their European superiors to keep the Company's books in terms of the 'current' or 'star' pagoda.

Through its mint, the Company served not only its own interests, but those of the whole Madras business community whether Indian or European. Under the eye of the Company's European assay-master whose chief duty was to ascertain the 'touch of gold', Chippermall Chitty, the mint contractor, and his fellow goldsmiths and coiners melted down the hoard of miscellaneous coins brought to their furnaces and struck pagodas and rupees of standard fineness.⁸ The 'star' pagoda in which the Company's books were kept was not, like the Bengal current rupee, an imaginary coin. It was a real gold coin with a star on one side and a figure of 'Swamy' (Vishnu) on the other. It circulated in company with the so-called 'Three Swamy' or Madras pagoda which, though only 9 per cent greater than a 'star' in intrinsic value, often commanded a premium of 18 per cent because of Indian predilections for a coin bearing three effigies of 'Swamy' instead of one.⁹ These two gold coins, with their subdivisions of silver 'fanams' and copper 'dubs' or 'cash', seem to have been most used in the commercial life of Madras itself. For transactions with the remoter parts of the Presidency, silver Arcot rupees were apparently more needed. Both the Company itself and the agency houses were constantly having them coined at the mint for that purpose.

The Company's government was therefore a machine well adapted to the needs of the Madras mercantile community. When we think of its transactions with the agency houses we must not forget that the agency houses derived their resources not only from 'country' trade but from the Company's servants who were so busily cheating their indulgent employer. The activity of these Company servants in its turn contributed to the

⁸ MRO, Pub. Dept., *Sundries*, 40, report of the Assay-Master.

⁹ HM 366, Memorandum on Madras Coinage. 'Swamy' (i.e., *swami*, lord) seems to have been the word commonly used by Madras Europeans to designate Vishnu. The three effigies on the 'Three Swamy' pagoda were those of Krishna (Vishnu) with Lakshmi and Rukmini. See H.D. Love, *Vestiges of Old Madras* (London 1913), I, 193 (HM: Home Miscellaneous series).

rising prosperity of those members of the European community who were not directly connected with the great agency houses. On his arrival, Sir Archibald Campbell found that the cleansing of the Augean stables of corruption in the Company's service had hardly extended beyond the environs of Madras. Those of the one hundred and seventy-five civil servants who were stationed in the immediate vicinity of Fort St. George were finding it difficult to discover where large profits were to be found. By 1786, methods of revenue collection in the area had become so standardized that only petty corruption was possible. Likewise, such cloths as were collected there for the Company's 'investment' were woven in the Company's own villages under the so-called 'thread and money' system which gave little scope for corruption. This meant that the export warehouse-keeper in most cases dealt directly with the weavers in each village, issuing thread and money through one or two Indians who were employees of the Company and not private 'contractors'. The cloths were washed, bleached, and beaten in Madras by the Company's own corps of washers and beaters before being taken to the export warehouse to be baled for shipment. Although, in some villages, the Company used private Indian 'contractors', it rigidly supervised their dealings with the weavers and did not allow them to act as independent merchant middlemen.¹⁰ Such was not the case in the remoter parts of the Presidency where revenues were collected and cloths purchased in a far looser manner.

Any ambitious and unscrupulous young writer, just arrived in Madras in 1787, would have been eager to serve under a Company chief at a 'subordinacy' or under a Company resident at an Indian durbar, for it was such posts which afforded the best opportunities for gain. The Danes, as we have seen, found many a Company servant in the Northern Circars willing, though sometimes reluctant, to betray his trust. The Company's servants at such places as Vizagapatam, Ganjam, and especially Masulipatam were inextricably involved in all kinds of financial

¹⁰ MRO, Pub. Dept., *Sundries*, 40, report of the Export Warehouse-keeper.

relationships with the wealthier Indian merchants and landowners in their districts. Landowners, anxious to delay payment of the *kists* of revenue, offered bribes of all kinds. Merchants, anxious to profit by 'contracts' to collect cloths for the Company, importuned the chiefs continually. The chiefs and their councils, profiting greatly by the existing arrangements for farming out the Company's 'investment' in a truly Roman manner, did nothing to foster the introduction of a 'thread and money' system. Members of the Board of Trade in Madras, some of whom had already served under such chiefs and councils, were then hard at work in an effort to destroy the 'thread and money' system wherever it existed.¹¹

The Company's Madras military servants outnumbered their civil colleagues by four to one. It was they who must have contributed the most to the prosperity of European Madras. There were seven hundred of them, all attached to sepoy regiments in some capacity, all enmeshed in the business of feeding, transporting, and paying 30,000 men—a business honeycombed with 'subsistence allowances' and 'perquisites' which had been exacted for so long that they were considered legitimate.¹² An unscrupulous officer could supplement his gains from these sources by levying tribute on the Company through collusive buying of stores of all kinds. These army officers accepted the confused state of the Company's finances as a matter of course, never expected their regular pay on time, and were seldom surprised to receive Company bonds instead of cash. It was their 'private concerns' which bulked largest in their lives, and the pages of the Madras 'military consultations' are filled with their applications for leave to come to Madras on private business. Although their two hundred colleagues who staffed the four regiments of royal troops and two regiments of Hanoverians

¹¹ Madr. Pub. Con., range 240, vols 67 and 68 (especially p. 1237), and range 241, vols 1, 2, 3 and 4, letters to and from Masulipatam and other subordinate settlements; also reports of Madr. Bd. of Trade of 22 Feb., 13 July, 21 Sept. and 9 Oct. 1787.

¹² The India Office has a rare printed list of officers serving on the Coast of Coromandel in 1788. Other lists are in Madr. Army Lists A, vol. 3, and in Madr. Mil. Con., range 252, vol. 20, p. 1579.

then quartered in Madras were King's officers with all the traditions of their class, it need not be supposed that King's officers were above making the most of a brief sojourn in India. Their opportunities were, however, more limited. They and the European rank and file whom they commanded contributed chiefly to the profits of the retail shops kept by Europeans who had drifted to Madras in one devious way or another.¹³

The evidence of corruption uncovered by Sir Archibald Campbell enables us to gain a clearer conception of the nature of the 'private concerns' of an army officer or civil servant. The new governor found that the embezzlement of military stores at Madras had been going on for forty years. The officer responsible had simply sold assortments on his own account and charged them out as if issued for the use of the garrison. Captain Thomas Bedford, the storekeeper unfortunate enough to be in office when the investigations of 1787 were made, stabbed himself rather than face trial for the offence.¹⁴ There are a number of specific instances of collusive contracts. George Westcott, the gentleman who later safely reached England on a 'foreign' ship, was an expert at the art. On one occasion he paid Indian bullock-contractors 1,600 pagodas less than the Company paid him for the bullocks. At Masulipatam, he bought grain for the garrison at one price and charged it up to the Company at a higher price, thus making a neat profit of 4,000 pagodas on a single transaction.¹⁵

When a George Westcott or a Thomas Bedford brought his money to Madras to invest, he often dealt with men who had themselves been in the Company's service and who had wide experience of the Indian scene extending back perhaps to the pre-Hastings era. It was on the advice of such men that he decided whether to invest in bonds, or bills of exchange, or a 'country' venture to China, or simply to leave his funds at interest in Madras. The great agency house of Balfour & Spalding was apparently directed wholly by men who either were or

¹³ MRO, Pub. Dept., *Sundries*, 41, several letters of retail shopkeepers.

¹⁴ Madr. Abs. of Disp. to Court of Directors, secret letter of 10 Nov. 1786.

¹⁵ Madr. Mil. Con., range 252, vol. 19, p. 783; Pub. Con., range 241, vol. 2, p. 2548.

had been Company servants. Though never in the Company's service, Andrew Ross, the leading merchant of Madras in the late eighteenth century, had been intimate with every European of consequence for thirty-five years. From the profits of his agency business he had built a substantial fortune and had risen to be mayor. James Amos, who later associated Company servants with him in business, 'came passenger to India on board the ship Earl of Ashburnham in the year 1774 without leave of the Company.' His opportunity to expand his firm may have come with the acquisition of Danish business formerly done by Pelling & DeFries. Messrs Pelling & DeFries themselves represented a union of English and Portuguese interests in Madras. John DeFries, a Portuguese born in Madras, may have taken in John Pelling as a partner in order to use the funds of Company servants in financing Portuguese and Armenian 'country' traders. Francis Lautour, who conducted one of the smaller mercantile houses, was also 'acting as agent for His Majesty's two Hanoverian regiments'. Though a Swiss, Lautour had come to India in 1777 as a member of the crew of Sir Robert Harland's squadron.¹⁶

As heads of agency houses, these Madras merchants were the leaders of the group of Madras Europeans who lived upon the business given them by the European troops and the thousand members of the official community. In this group, the lawyers stood next to the merchants in importance. Their quality left much to be desired. The Madras bar was the refuge of the 'climber' and of the English, Scottish, or Irish attorney who wished to make a second start in life far from home. The records of the Madras Mayor's Court bear eloquent testimony to the success of these gentlemen in encouraging litigiousness among both Europeans and Indians by every means in their power.¹⁷ Their leader, Stephen Popham, a brother of the future Admiral

¹⁶ MRO, Pub. Dept., *Sundries*, 41, letters of Andrew Ross, 16 Feb. 1788; James Amos, 18 July 1787; Francis Lautour, 30 April 1787.

¹⁷ Madr. Mayor's Court Records, range 329, vol. 42. In 1787, Indians sued to recover 18,000 pagodas from Europeans, and 23,000 pagodas from their fellow-Indians; Europeans sued Indians for 17,000 pagodas, and other Europeans for 40,000 pagodas.

Sir Home Popham, had fled to India a bankrupt. Obligated to enter the Irish House of Commons in order to carry on an Irish law practice which he had inherited from an uncle, Popham had wasted his substance in borough-mongering and fighting Irish parliamentary reform. Four years in Madras sufficed to make both his fortune and his reputation, for he devised a plan for policing the town and bought a site for the new Indian market.¹⁸

Besides the lawyers and merchants, there were about 150 'independent' Madras Europeans in 1787. When Sir Archibald Campbell called them all individually to account, he found that only a handful of them had either paid their own way to India or bothered to acquire the Company's licence to reside there. Few of them were seekers after great fortune. Like Captain Gay, they sought contentment and a happier way of life than the one open to them at home. Many of them had secured berths as midshipmen on the Company's ships or as privates in the Company's army with the intention of deserting at the first opportunity. Not all of them were British subjects, but all hoped to be allowed to go on furthering their 'personal concerns' under the protection of British power. No matter what their origin, nearly all were ready to turn their hand to whatever occupation appeared most promising. Their autobiographies are all human stories of success or failure in a land where any man's future was always unpredictable.¹⁹

One day in 1776, John Leathem, who had been waiting for months in Madeira for a chance to get out to India, climbed aboard the Company's ship *Nassau* in the harbor of Funchal and met Angus MacIntosh. Both men found an interest in common in their knowledge of clocks. Eleven years later, Messrs Leathem and MacIntosh were the most reputable firm of clockmakers in Madras and had long been in charge of 'the Honourable Company's' clocks. Peter Alexander and Samuel Britain came out together on the *Southampton* as servants of Mr Cotsford, recently appointed chief at Masulipatam. By 1787, they were the leading

¹⁸ Madr. Pub. Con., range 240, vol. 66, p. 220; range 241, vol. 2, p. 2401; range 240, vol. 68, pp. 1095, 1592 *et seq.*

¹⁹ These autobiographies are in letter filed in MRO, Pub. Dept., *Sundries*, vol. 41.

European shopkeepers of Masulipatam and owned their own 'country' vessel. Charles Lloyd, a Hanoverian Jew, arrived on the French ship *La Lion*, served for a time as a doctor in Hyder Ali's army, and then settled down as a baker in Madras. Thomas Andrews came out as a midshipman under Sir Edward Hughes in 1780, was captured by the French under Suffren, and imprisoned under Hyder Ali, yet preferred to stay in India to open a shop near Fort St. George.

Men such as these, whether they served the Company or not, were not particularly enamoured of schemes of reform, yet Sir Archibald Campbell was obliged to attempt to put Pitt's policy into effect. He ordered the deportation of a handful of undesirable characters, but he took no drastic steps to alter the social or economic structure of eighteenth-century Madras. Cramped as he was in the financial sphere, he could do little against foreign remittances except encourage the purchase of Bengal bonds and bills of exchange. It is rather remarkable that what he could do had such marked effects upon the business of the Dutch, Danes, and French. Nevertheless, he was not in the position of Lord Cornwallis at Calcutta and the financial measures that he took to carry out the policy of Pitt's India Act could have no comparable results.

Ignoring the actual complexities of their Madras finances, the Court of Directors expected their governor at Madras not only to persuade the owners of 8 per cent bonds issued in Madras to exchange them for 5 per cent bonds issued in London but to sell bills of exchange on London and invest the proceeds in piece goods. Both these ends might have been accomplished if the Court of Directors had not expected their servants to place patriotism above profit. By imposing an exchange rate well below 8 shillings for the pagoda, they offered their servants no inducement except safety. Of the 28 lakhs of pagodas outstanding in the Madras government's local 8 per cent bonds, about half were thought to be in the hands of wealthy Indians who had bought them up at a heavy discount from impecunious European army officers. The Court of Directors were not so mad as to expect Indian owners of bonds in pagodas bearing 8 per cent interest to exchange them for sterling bonds issued

in London bearing 5 per cent; but they did hope British subjects could be induced to buy back a large portion of these bonds from Indians. Such hopes were doomed to disappointment. Few of the Indians wanted to sell securities which were yielding them an actual return of well over 8 per cent, and some of them may have been astute enough to realize that their European masters would do their utmost to see to it that these bonds were never repudiated.²⁰

At a low exchange rate for the pagoda, the Madras European had no motive either for buying more 8 per cent bonds for exchange into sterling bonds or for turning in 8 per cent bonds already in his possession. He had at least three or four other ways of realizing sterling in London more cheaply if he desired to do so. Investments in 'country' trade, in the bills of exchange of foreign companies or individuals, and in Bengal bonds or bills of exchange convertible in Calcutta into China bills of exchange were still open to him. Consequently, all Sir Archibald Campbell's public advertising and private persuasion sufficed at this time to transfer to London only two and a quarter lakhs of pagodas or less than £ 90,000 of the Madras bond debt. The resulting saving of 18,000 pagodas in interest charges contributed little or nothing to the simplification of Madras governmental finance. Attempts to sell £ 150,000 of the Company's London bills of exchange as authorized by the directors met with a similar fate. With the exchange fixed at 7s. 6d. per pagoda, the government's first public advertisement in the *Madras Courier* in 1787-8 evoked only four offers from European individuals and agency houses. On this occasion only £ 35,000 in such bills were actually issued.²¹

The coexistence in eighteenth-century British India of governmental insolvency with advancing prosperity within the European and Indian mercantile community is nowhere better illustrated than at Madras in the late 1780s. In order to under-

²⁰ Madr. Abs. of Disp. to Court of Directors, public letter of 17 July 1787, secret letter of 10 Nov. 1786; Madr. Pub. Con., range 240, vol. 66, p. 10; vol. 67, pp. 990, 1083, 1694.

²¹ Madr. Pub. Con., range 241, vol. 5, p. 840; vol. 1, p. 1803; vol. 2, pp. 2426, 2438, 2677; range 240, vol. 68, p. 1269.

stand how this situation had arisen, we must turn back to the years just prior to the American War. A glance at the Company's Madras books for the early 1770s shows that the Company had not then abdicated all its commercial functions. At that period, the Madras government was engaged in commercial transactions with Bombay and it was making remittances in silver and tin to Canton. Beyond that, it was receiving occasional shipments of silver from Europe. The scandal of the nawab of Arcot's debts to Europeans at usurious interest had already begun but had not reached serious proportions. Unfortunately for the Company, its servants discovered the easy road to fortune through lending huge sums to the nawab at the very time a European war was about to break out. The extension of that war to the Carnatic made the pyramiding of debt doubly easy. From the financial year 1778-9 on, the essential features typical of Madras governmental finance in 1788 begin to appear. The chief difference is that the transfers of funds from Bengal were then made not through 'country' trade but in direct shipments of specie from Calcutta. This made business for 'country' traders who sometimes were entrusted with this specie, but it made more business for the captains of His Majesty's naval vessels who received the freights on specie consignments as a private perquisite.²²

During the most critical year of the war, 1781-2, shipment after shipment of treasure poured into Madras. In May, arrived 36 chests of 'mixed Oude and Bengal rupees'; in July, 35 chests of Arcot rupees; in the following autumn, 'ingots of gold' invoiced at eleven lakhs of current rupees together with twelve lakhs in silver *sicca* rupees. This treasure was used to buy supplies, including naval and military stores then being smuggled into southern India by illicit traders. In addition, the Madras government was, by issuing bonds, borrowing from its own

²² *Madras Treasury Journals* (hereafter *MTJ*) sundry entries 1772-73-1779-80; journal for 1779-80 contains items *re* import of gold from Bengal; an entry on 31 July 1785 in journal for 1785-86 *re* freight of silver on a naval vessel shows practice of 'perquisite' to naval captains was customary; for a detailed account of the nawab's debts, see P.E. Roberts, *India under Wellesley* (London, 1929), pp. 85-101.

servants, from 'country' traders of all nationalities, and from Indian *shroffs*.²³

The impecunious among the European army officers were anxious to make what they could quickly. During the war, they took their 'cuts' on collusive contracts and did their best to remit them to Europe through foreign channels. As the war closed, they dumped their bonds in Madras, gladly took half their face value or less from Indian brokers or European agency houses, and then went home to agitate for the prompt payment of their 'arrears' in Leadenhall Street. Only the prudent had any chance of success in this dangerous game; few arrived home with fortunes, and many remained in the clutches of their Indian creditors. The wealthier and more prominent among the Company's servants usually divided their risks. They held on to the larger portion of their bonds, and it was they who formed a most formidable *bloc* among the East India interests determined to see to it that the Company honoured all its obligations. In their interests, the regrettable decision of Pitt and Dundas to return the Carnatic to the nawab's administration was made. On their behalf, the Madras agency houses received many of the payments made in 1787 to the 'Public and Private Creditors of his Highness the Nabob', and invested them as they saw it.²⁴ Without the war, the piling up of governmental debt at Madras might have taken place, but the process would have been slower, and the Company need not have so completely abdicated its functions as a merchant.

At Bombay, there was a similar increase of debt occasioned by the American War, but, precisely because there was no nawab of Arcot and no complex problem of military or territorial administration, the governor of Bombay was still in many respects a merchant among merchants. Though it is true that the Company, *qua* merchant, never made profits at Bombay during this period, the settlement was still administered as a trading 'factory'. It had no territorial possessions outside its own imme-

²³ *MTJ* 1781-82.

²⁴ *MTJ* 1787-88 and 1788-89, entries concerning payments on behalf of the nawab's creditors show that Porcher & Redhead, and Balfour & Spalding secured much of the business.

diate vicinity. It exercised its power and influence in areas of western India where administration by local nawabs and princes had not broken down. Its servants, when they made private profits in peace time, usually made them in 'country' trading just as they had in the seventeenth century. As a debtor government, Bombay like Madras had to draw on Bengal to make up its deficit. Since the 'country' trade in English hands at Bombay and Surat could not alone cope with the financing of these transfers of funds, the Bombay government was brought into more and more intimate contact with Indian merchants and bankers who could arrange transfers overland through their correspondents in Lucknow and Benares.

Nearly every page of the Bombay books of account tells a story of the various stages of development through which the English East India Company passed. In these books, the forms of bookkeeping used in the seventeenth century were preserved, but no attempt whatever was made to revise the accounting methods in the light of the realities of the late eighteenth century. These ledgers and journals for the 1780s show that the Company in Bombay then stood, as it were, at an intermediate stage. It had ceased to be primarily a 'merchant'; it had not yet become primarily a 'sovereign'. It was in a period of transition; its remaining mercantile interests were constantly, if slowly, being whittled away by its servants and 'the commanders and officers' of its ships who were anxious to further their own private mercantile concerns.²⁵

In order to see things as they were in the mid-1780s, it is necessary to rid the Company's Bombay books of the dead wood accumulated during many previous decades. One can hardly do so without some feeling of sympathy for the young writers in their teens who so patiently copied useless item after useless item. If questions were asked, they were probably answered with a curt command to make up the journal as it always had been

²⁵ The captains of the 'Bombay and China' ships had long been accused of subordinating the Company's interests to their own by making country voyages on the Malabar coast en route to China. See *Five Letters . . . to Warren Hastings* (London, 1783), attributed to Joseph Price.

made up. Many a writer, on closing the books at the end of a year, must have smiled as he totalled the items and carefully wrote beside the final item 'Stock for the Honourable Company's net estate at this Presidency and Factories subordinate which may it please the Almighty to increase and prosper.'²⁶ At the end of the 1780s, the Company at Bombay was still carrying as an asset 'Dead Stock' listed at 98,59,500 Bombay rupees. This item represents what had been paid for the fort and all other fixed assets including ships. As far as one can see, depreciation in the modern sense of that word was rarely if ever written off. More fictitious still was an item for 'Expeditions' standing among the assets at 1,39,43,091 rupees. This meant that the Bombay government had expended over a crore of rupees on military expeditions during the eighteenth century. None of this was apparently ever charged off to expense. It was carried as an asset in the hope of recovering some of it from His Majesty's government at some future date. The writers also copied annually a long list of 'Old and Doubtful debts' totalling 19,47,880 rupees, none of which was recoverable. Hundreds of items listed under 'Money and good debts' likewise appear unrecoverable under the conditions then prevailing. The truth is that, once the fictitious items are removed, the liabilities far exceed the assets. Doubtless everyone in eighteenth-century Bombay knew the true state of affairs but wished to conceal it in so far as possible. Hence, the books stand balanced not to the last rupee but to the last quarter of a 'ree', the four-hundredth part of a Bombay rupee.²⁷

When the accretions of decades are culled away, the Bombay books reveal the position in which the Company's governor was really placed. In spite of a brave show of 'assets' worth three crores of rupees, he was actually carrying on the Company's commercial business with very limited resources. In fact, his official finances, quite apart from the accumulation of a Bombay bond debt of over two crores, were so tangled in 1783-4 that he often had to lend the Company money out of his own pocket.²⁸

²⁶ *Bombay General Journal* 1790-91, final item.

²⁷ *Bombay General Journal* 1790-91; total of assets, 4,24,62,433.2.53¼.

²⁸ *Bombay General Journal* 1784-85, entry 31 Jan. 1785, 40,000 rupees borrowed of governor 'to pay many pressing demands on govt'.

At this period, the Company was still sending out to Bombay three or four cargoes annually of woollens, lead, copper, iron, and steel, but it was more concerned in collecting the return cargoes of Malabar pepper, Mocha coffee, Surat piece goods, and the miscellaneous sundries such as cardamoms, cowries, and arangoes then in demand for the African trade. A typical 'import' invoice is that of the *Lord Camden*, entered 18 July 1784: woollens £ 13,387, lead £ 517, copper £ 7,437, iron £ 481, steel £ 439, in all £ 22,262 or Bombay rupees 178,992. Such of the woollens and metals as could not be marketed in India were disposed of by the Company's agents in the Persian Gulf. Though the factory at Basra ran at a loss and justified its existence only as the key to the overland route for sending dispatches to India via Vienna, Constantinople, and Aleppo, it did not give the Bombay governor much cause for anxiety.²⁹ His affairs were far more complicated by the necessity of gathering export cargoes for the Company at Tellicherry, Anjengo, and Surat.

Tellicherry and Anjengo were trading factories of the old type maintained solely for the purchase of pepper. The Bombay government never operated at these stations in a political capacity in time of peace. Tellicherry may be described as the best example of a commercial settlement under the Bombay government, for its local finances were in no way affected by the business of transferring funds from Bengal to Bombay. Tellicherry was ruled by a Chief and Council, all of whom were 'country' merchants in their private capacities. John Beaumont, the chief, and William Page, 'first factor', constituted in their private capacities the firm of Beaumont & Page. It so happened in 1785-6 that the Bombay government was in serious straits for cash. The governor, seeing no way to ship silver to Tellicherry for the purchase of 3,000 candies of pepper, availed himself of the services of Messrs Scott, Tate & Adamson, one of the leading agency houses of Bombay. These gentlemen were only too

²⁹ Fac. Rec., Persia 18, Basra Con., La Touche to Manesty, 6 Nov. 1784. This letter describes the method of marketing woollens in Persia to be paid for by the buyer's respondentia bond payable to the Bombay government after the sale of a cargo of coral and pearls shipped by the Persian or Arabian buyer to Bombay.

happy to oblige. They would gladly furnish the pepper to the Honourable Company through Mr David Scott's agents at Tellicherry, Messrs Beaumont & Page. Consequently, we find Governor R.H. Boddam writing in his official capacity to John Beaumont, chief at Tellicherry, directing him to receive from Messrs Scott's agents at Tellicherry 'such quantities [of pepper] as may be tendered to you.' A few months later, the governor dispatched the Company's snow *Intrepid* to Tellicherry to 'convey thither a consignment of one lakh of rupees which Messrs Scott & Co. now send to their agent there for providing pepper.'³⁰ Comment is superfluous. Tipu Sultan's embargo on pepper prevented the consummation of this particular bargain, but the proposed transaction most vividly portrays the higher Bombay civil servants in their dual capacities. On such a transaction, at least two commissions would be charged up to the Company in addition to the profits made possible by manipulating prices. Moreover, the captain of the Company's snow *Intrepid* probably received a perquisite for guarding a lakh of rupees in silver.

Under John Beaumont's rule lived a handful of civil and military servants who were seldom if ever paid in cash. They scraped a living as best they could in ways which we may only conjecture from their applications to go to Bombay to attend to their 'private affairs'. Threats of military coercion might have forced the Indian merchants of Tellicherry to supply the Company's factory with rice, but such threats could not compel them to buy bills on the Bombay government at their face value. On 12 October 1785, thirty junior servants who had been paid in the Company's 'Transfers', as the bills issued by the chief at Tellicherry were called, complained bitterly. In a remonstrance to the Chief-in-Council, they said:

As the Honourable Company's credit is already at so low an ebb that the merchants of this place will not give more for their Transfers than twenty or twenty-five rupees for the hundred, and moreover, as you gentlemen have put so low a value on the Honourable Company's bills by refusing to accept them in payment for goods sold out of the public stores, we therefore request that any articles we may want to

³⁰ Fac. Rec., Tellicherry 6, Con., 26 Nov. 1785; 15 Feb. 1786.

purchase from thence may be issued to us for Treasury Transfer at the current discount of Bombay.³¹

The Company at Tellicherry was therefore so bankrupt that it often could not even afford to accept the Company's own obligations when tendered for the payment of any account. Shipments of silver from Bombay made their appearance with the greatest irregularity and were usually earmarked for specific purposes. The accrual of 'arrear' of all kinds was never cleared away. In 1786, the small garrison of sepoys became so restive that their commander advanced them silver and rice out of his own pocket.

Conditions such as these made a minor post under the Bombay government not the first but the last choice of all ambitious young writers and cadets. Many of those who were doomed to Bombay because their sponsors were junior members of the Court of Directors cursed the day of their decision to try their luck in India. In the late eighteenth century, discontent was rife from the bottom to the top of the Bombay service. John Beaumont, himself a chief with a quarter century of experience behind him, bemoaned the passing of an era in which the chief of a subordinate station could become a merchant prince. Beaumont had lived through the great plague of the early 1770s at Basra; he had been imprisoned in Persia; and had spent five bad seasons at Bushire. Knowing that Tellicherry chiefs had formerly 'derived handsome advantages from trade', he hoped to close his career at Tellicherry. With an ailing wife, he struggled to cope with the problems created by the war and Tipu Sultan's embargo on pepper, cardamoms, and sandalwood. When his net income sank to 6,000 rupees a year in 1785, he finally decided to resign if he were not granted leave to restore his health by spending the rainy seasons at Bombay. In his letter to the governor on this subject, he did not mince words:

I am then [if leave is denied] to request that I may be relieved from this Chiefship where I have met with nothing but loss and disappointment and where it cannot be expected that I should any longer ruin my

³¹ Fac. Rec., Tellicherry 6, Con., 12 Oct. 1785; cf. Con., 7 Nov. 1785; and 18 Aug. 1783 in vol. 5.

small fortune in supporting the expense of entertaining all strangers that during the fair season resort here.³²

Retirement to England with the remnants of his fortune was not Beaumont's lot. His will was probated at Bombay on 6 February 1788. In it, he disposed of an estate worth at least £ 10,000, but we have no means of knowing whether that is a correct estimate of his wealth. The will itself is an interesting document for it shows how impossible it was for the Bombay European to live a life apart cut off from close association with other elements in Bombay society. The witnesses were an Englishman, a Portuguese, who may have been a Luso-Indian, and a Parsi. Slavery was still characteristic of Bombay life at this period. The slaves were brought from East Africa by Portuguese and Arab traders to be sold as domestic servants at Bombay. Beaumont accordingly provided an annuity of 180 Bombay rupees for Mrs Beaumont's slave Clara and a lump sum of 4,000 rupees to provide for any child which Clara might have had by him. Beaumont provided handsomely for his wife, formerly the widow of Major Collins of the Madras military establishment, by bequeathing her £ 4,500 and the residue of his estate, but he was at least equally concerned for his other family, the three children of Maria Seledonia his 'housekeeper'. Maria, who was in all probability a Luso-Indian, had long since taken the three children to England where they were to be reared and educated in the home of Beaumont's aunt, Martha Stubbs. The allowance for their maintenance was fixed at £ 3,000. In a codicil, Beaumont decreed that the eldest boy should receive 4,000 rupees more on coming out to India in the Company's service. Beaumont gave freedom and small bequests to his two slave-boys, 200 rupees each to his Indian and Parsi servants, and 1,000 rupees to Sunkersett Baboolset who was to supply 'friendly aid in settlement of my accounts at the Marine stores office.'³³

The conditions which John Beaumont met at Tellicherry were not duplicated at Surat. The Surat chiefship could still be made a lucrative post by an able man. As a buyer or seller of goods on

³² *Ibid.*, Beaumont to governor-in-council, 3 March 1786.

³³ Bombay Wills and Administrations 1783-1792, John Beaumont, will, 6 Feb. 1788.

his own account, the Surat chief confronted difficulties similar to those at Tellicherry, but he had other strings to his bow. At Surat, dual government existed. The Company was keeper of the nawab's castle and responsible for order in the city, but the nawab had his own administration and his own officials, some of whom were Europeans. There were two customhouses, the Company's and the nawab's. The Company's chief was able to draw perquisites from the large 'country' trade entering the port. Beyond that, his services were essential in the business of transferring funds from Bengal to Bombay, a business which must have caused the payment of many a perquisite or present. Surat at this period had a population of 300,000.³⁴ The wealth of the most prominent Surat merchants was still great. The East India Company in its commercial capacity stood a suppliant at their gates. In Surat, the Company appears as a bankrupt client, not of European agency houses, but of Indian merchants.

The Company's own commercial business was the smallest part of the Surat chief's concern. On the Company's behalf, the chief was selling an insignificant quantity of metals and buying a small investment of piece goods for Europe and raw cotton for China. The piece-goods contracts were farmed out to one or two Indian contractors with whom the chief had little or no direct contact. Since the Company treasury seldom had cash available for advancement to piece-goods contractors, these men received their advances from *shroffs* who took commissions on loans made to the Company. Whenever the rains failed, the difficulties of collection were sure to be insuperable. In 1791, after putting out most of his advances, one of the contractors reported:

The failure of the rains has caused such misery among the poorer people that they have not been able to struggle against it—and thousands have perished from hunger and want . . . Of the weavers upon a moderate computation, from ten to twelve die daily and for every one of these or even any of their children or numerous relations some of whom are dying every hour of the day, I lose several days work as their respective religions require for the performance of their funeral ceremonies.³⁵

³⁴ A.N., AJ¹ 352, 'Memoire sur Surate', prepared for the French E.I. Co. in 1787.

³⁵ Fac. Rec., Surat 69, Con., 14 Oct. 1791, letter of Mayaram Atmaram.

The chief arranged for the Company's consignments of raw cotton in somewhat the same manner. These consignments were purposely kept small, seldom over 500 tons annually, for everyone knew that the Bombay 'country' traders by agreement with the Bombay civil servants and the captains of the Company's ships wished to monopolize the cotton trade. It was not uncommon for a Company ship to leave Bombay jammed to the gunwales with 1,600 bales of Surat cotton, of which at least 1,000 were carried on private account in violation of the regulations.³⁶ Sometimes the Bombay finances were so tangled that the Surat chief, in his official capacity, had nothing but copper to offer the Indian dealers who brought their cotton loose to the 'green' in front of the castle gate. In such a case, the Company could hardly expect the dealers to refuse the offers of merchants who brought silver to the market place.³⁷

Although the Surat chief perfunctorily collected the 'investment' of cotton and piece goods, his heart was elsewhere. He always had his eye on two more lucrative sources of private profit. His ship-broking business and his bargains with *shroffs* regarding transfers from Bengal occupied most of his attention. The Company's chief at Surat had been a ship-broker long before the Bombay government's finances necessitated huge transfers from Bengal. Through him, Indian merchants anxious to use the facilities provided by European 'country' captains arranged their shipments. In modern parlance, he acted as a middleman between the European owners of ships and Indian or European shippers of goods. He acquired his profit by guaranteeing the shipowner a stated freight and pocketing the difference between the freight and what the shippers really paid him. From one point of view, the chief was an insurer, for his guarantee protected the shipowner from loss. He assumed the risk of being able to supply enough goods to fill the cargo space for which he had contracted.³⁸ Because of his interest in this business, the

³⁶ HM 374, extract of Court's commercial letter to Bombay of 2 Dec. 1792 re tonnage of cotton.

³⁷ Bombay Gov. Let. Recs 1786, letter from Surat of 23 Feb. 1786. For an example of a cotton contract, see Fac. Rec., Surat 68, Con., 28 Jan. 1790.

³⁸ NLS, Melville MSS., 1072, f.177, memorial to Court in the case of Daniel

chief eagerly supported the Bengal government's plans to reduce customs duties at all British settlements. He bent his energies toward strengthening British control of the trade of Surat by staffing the nawab's customs service with Europeans and transferring as much business as possible from the nawab's to the Company's customhouse. The nawab did not object to the increase of British control but to the disturbance of established forms of procedure. In 1786, the nawab complained to the chief and council in a *ruka*:

There is not any difference between the Honourable Company and me and in fact this place [the nawab's custom house] and that [the Company's custom house] are theirs, but it is not proper that business should go on otherwise than has been usual. It behooves you gentlemen to consider my situation; all my business has been and is carried on by favour of the English.³⁹

Within four years, the chief had been so successful in increasing business at the Company's customhouse that the Gaekwar of Baroda complained of the reduction of his share of the fees charged for coining bullion imported through the nawab's customhouse. The Gaekwar believed that Spanish dollars and silver bullion worth a lakh of rupees were pouring through the Company's Surat customhouse every year.⁴⁰

The chief had a double motive for advocating lower duties at the customhouses. Freer trade would increase the prospects of profit in the other important branch of the chief's private business. The fewer charges the leading merchants had to pay, the more amenable they would be toward assisting the chief to transfer funds from Bengal to Bombay. After the American War, this business of arranging transfers from Bengal had become the most important official function of the Surat chief. The Bombay governor could not meet his current military and civil expenditure without a subsidy of at least 35 lakhs of Bengal current

Seton, 24 May 1802. Seton's attorneys described the profits of the Surat chiefs before the introduction of reforms in the 1790s (NLS: National Library of Scotland).

³⁹ Fac. Rec., Surat 68, Con., 2 Aug. 1790.

⁴⁰ Ibid., 13 May 1790.

rupees, a sum far too large to be financed by 'country' traders.⁴¹ The necessity of transferring approximately ten lakhs of it overland tended to draw north-western India and the Gangetic plain closer together economically. The difficulties which the Surat chief encountered in arranging these transactions show how dependent the Bombay government was on Indian confidence in the Company's credit. The combined efforts of the Company's resident at Benares, the accountant at Lucknow, and the chief at Surat were needed to make the business run smoothly. If the accountant at Lucknow gave five lakhs in cash or promises to a creditor of a *shroff* at Surat in return for a bill on that *shroff*, the chief at Surat often found it impossible to collect the bill promptly. The *shroff* would put him off with small instalments. If, on the other hand, the chief went to the houses of Manordass Dwarkadass or Gopaul Doss and asked for money in return for bills on Bengal, the reception he received depended upon the Bengal government's promptness in meeting its obligations. In May 1786, the chief, faced with a demand from the governor at Bombay for three and one-third lakhs of rupees, repaired to the *shroffs* with his bills on Bengal all ready for delivery, but returned empty handed. He then reported to the governor of Bombay:

[The *shroffs*] obstinately persist in refusing to take bills for a single rupee until they receive advice from their correspondents that every bill drawn from this settlement has been paid . . . The Chief used every argument in his power to prevail upon them to alter this resolution . . . We beg leave to offer it, as our opinion that we shall not be able on any exigence whatever to raise a rupee for our bills on Bengal; a circumstance too alarming in the total want of every other resource not to merit your honour's most serious consideration.⁴²

The chief promised to importune the *shroffs* daily, and within a month succeeded in getting a lakh out of them. This branch of

⁴¹ Bombay Gov. Let. Rec. 1786, Sir John Macpherson to Bombay, 27 Dec. 1785. This letter lists remittances to Bombay as follows: bills on Bengal drawn in Bombay 6 lakhs, bills on Bengal drawn in Surat 9 lakhs, bills on Bengal drawn in Lucknow 5 lakhs, bills on Bengal 2 lakhs; goods and specie 1½ lakhs; *shroffs*, bills drawn in Bengal 5 lakhs.

⁴² Ibid., letter from Surat 8 May 1786. In April the *shroffs* had refused to receive Bengal 8 per cent certificates in lieu of bills of exchange.

than 3 per cent of their cost price in Britain.²⁹ Thus, the mercantile and naval supremacy of Britain afforded British merchants an enormous competitive advantage in the sale of British goods even before the introduction of steam propulsion in shipping.³⁰ The BITDS and the coming of steam merely worsened for the Indian traders a disadvantageous position forced on them by history. These three factors were of course not separable in that they were all but signs and results of the triumphant march of the British bourgeoisie through history.

REVENUE FROM THE BITDS

Evidently, the revenue received by the British India government was well below the economic cost of the BITDS to the Indian traders and travellers. Gross revenues from the Bengal BITDS as a percentage of the gross total revenues of Bengal was put at about 11 per cent in 1819–20 and 10 per cent in 1828–9.³¹ The revenue data of the Board of Customs show different trends in receipts for different areas: for Mirzapur there was a continuous and remarkably steep decline from 1820–1 to 1831–2, for Banda there was a completed cycle and an upswing between 1810–11 and 1832–3 and the same is true of the reported total revenue from the BITDS. The Board of Customs put the average annual net revenues from the BITDS for the period 1818–19 to 1832–3 at a little less than Rs 3.5 million but these and all the data on the subject are of uncertain coverage and therefore not very reliable. In 1825, Holt Mackenzie estimated the net loss of revenue that would result from abolition of the BITDS to be less than 5 per cent of the total annual revenue of British India. He maintained 'Were inland duties abolished, without any change in the export and import duties, the immediate sacrifice of revenue would be about £ 330,000, and even though the duty on western salts were maintained, there would still be a loss of £ 220,000. The whole of this, I fear, cannot be immediately

²⁹ PP/Papers relating to the East India Company, 1793.

³⁰ See also, W. Woodruff, *Impact of Western Man* (London, 1966), pp. 236–44.

³¹ PP/SCHC/Third Report, 1812, App. 47, Supplement.

replaced by the imposition of new duties on imports and exports by sea, but a considerate part may certainly be so, and in as much as the proposed arrangement will operate, as I hope, to extend trade, the balance cannot be reckoned as a net loss.'³² Thus, it appears that the BITDS was of very limited significance as a source of revenue for the British India government. Presumably the transfer of the BITDS administration from the Revenue Department to the Commercial Department in 1793 was not entirely a mere bureaucratic detail.

THE IMPACT OF THE BITDS

The BITDS and its attendant circumstances set the stage for the full play of that untrustworthy, enigmatic and servile Indian character so dear to colonial English fiction. Evasion of the BITDS became virtually a necessity for survival for Indian traders and travellers. Indeed, what survived of Indian trade under this draconian system was by and large a monument to that very villainy (ingenuity) of the Indian character so reviled by colonial writers. The mood of the times is caught well in the words, overheard by Macrabie, of an Indian talking to an Englishman in 1776, 'Yes, yes, very right, what master says, my way, bad way, master account right.'³³

The attempt to stop evasion of the BITDS implied a principle of unlimited expansion for the BITDS administration. The power to open new checkpoints was often exercised by the local revenue collector himself without the sanction or knowledge of the Board of Customs. 'Every new course of trade required a new checkpoint, and as the trade is continually finding new channels for itself for the purpose of escaping these restrictions, however numerous they may be, an unlimited multiplication of checkpoints is the consequence.' It has already been noted that Indian traders had to shift from the more economic waterways

³² Holt Mackenzie, *Memorandum, Bengal Salt and Opium Consultations*, 23 June 1825.

³³ Macrabie's Journal, 21 Feb. 1776, cited in Narendra K. Sinha, *The Economic History of Bengal* (Calcutta, 1981), vol. II, p. 225.

to the relatively expensive land routes to avoid the BITDS. But there had to be continual changes even of these overland routes for the same reason. To quote from a study of Madras, 'The rates of duty and the locations of the stations at which they were levied were governed partly by custom and partly by discretion of the (transit-duty) farmer. The stations were very numerous. On some routes they were on the average not more than ten miles apart, and duties had to be paid at each one.'³⁴ But trade is more easily killed or frightened away than agriculture, and the farmers of the transit duties were therefore less oppressive than the land revenue officials.³⁵ It is outside the scope of this paper to inquire into the relative levels of 'oppression' meted out by the BITDS and the land-revenue farmers, but the BITDS did evidently 'kill' or 'frighten away' trade from many traditional routes. Wholly new marts emerged in places such as Bhiwani and Rewari in the Delhi region, Shamli and Hathras in the Doabs, Koonch in Bundelkhand, Sirsa and Joosee in the Allahabad region and Khulua in the Hughli region. On the other hand, the BITDS revenue in Mirzapur fell by two-thirds between 1820–21 and 1832–33.³⁶ The trade also tried to take advantage of the freedom of non-British European settlements in India from the BITDS. However, the importance of this outlet was lessened in 1811 with the barring of foreign ships from the coastal trade of India. Besides, the freedom of these settlements was limited to the sea-ward trade of India. For instance, Shrirampore and Chandranagar had the right of free passage to and from the sea by the Hughli but all their trade with the interior was taxed at the rates applicable in Calcutta to the trade on foreign bottoms. The export of cloth from these settlements to the U.S.A. and to Europe had to pay 2.5 per cent if the exports were produced in British India and 5 per cent if they were produced in Nepal or Oudh. Yarn exports paid 5 per cent if exported to Europe or the U.S.A. and 15 per cent if exported to other destinations. In each case, the duties were twice the rates charged on exports in British bottoms from Calcutta. The foreign

³⁴ This appears to be a local variation in the system.

³⁵ *Cambridge History of India*, vol. v, p. 467.

³⁶ C. Trevelyan, *Town Duties*, p. 9.

settlements were cordoned off by BITDS checkposts; although Shrirampore had reportedly only one ship arriving between 1815 and 1835 while Chandranagar had no arrival at all, checkposts were maintained all along to charge duties on 'the trade in foreign bottoms'. In short, the only device left to the Indian traders and travellers was a game of hide and seek with the BITDS officials, a device which could not but be an enormous economic burden.

The extant data do not permit any precise estimation of the competitive advantage which the BITDS yielded to British merchants and British merchandise over their rivals in the Indian economy. There is, however, no doubt that this advantage was very considerable. The Board of Customs agreed that abolition of the BITDS would bring about an expansion of Indian trade and industry but refused to recommend such a step on revenue grounds.³⁷ The Board, in fact, expressed regrets when Governor General Auckland abolished the BITDS in Bengal by his decrees of March 1 and May 1, 1836. In their detailed reply to the Trevelyan report, the Board did not deny that the relative share of manufacturing in the British India economy declined as a result of the BITDS. Further, the Board sought to justify discriminatory measures against certain Indian industries pleading that any help for these industries would have been atavistic for the Indian economy, 'We are not here speaking of the village looms—it is absurd to suppose that they can contend against the power-looms either in England or India, and certainly we have no idea of the transit duties or any other being accommodated to their protection at the expense of the community at large.' The Board also did not deny that the BITDS discouraged regional division of labour but asked, 'Why do not the manufacturers of Indian piecegoods establish themselves in the cotton-country? What man in the U.S. who wished to make indigo would fix his factory in Massachusetts instead of South Carolina or Georgia?' It was not denied that the BITDS reduced profitability of large scale and vertically integrated production but the rhetorical question

³⁷ Board of Customs, Salt and Opium letter of G. Chester and H. Sargent to Sir C.T. Metcalfe, Vice-President in Council dated 17 Oct. 1832, Copy appended to *Trevelyan Report*.

posed was, 'What precise necessity is there for establishing a manufactory *within* a cordon of chokeys . . . manufacturing industry frequently seeks the protection and profit obtainable in town, but it does not thence follow that they are the natural seats of manufacturing industry. What are the manufactures peculiar to London, Edinburgh, Liverpool, Paris, Amsterdam, Petersbourg, Naples, Madrid?' (Emphasis original).³⁸ In general, the Board of Customs accused Trevelyan of exaggerating what it agreed was a fact, that the BITDS had caused a decline of Indian trade and industry. The advocacy of retaining the system was entirely on revenue grounds but, as has already been discussed, the importance of the BITDS as a source of revenue was very limited.

The net impact of the BITDS was to increase the prices of many articles 'in a degree far exceeding the amount of duty' and thereby to hasten the decline of Indian trade and manufactures. Trevelyan complained, 'But one thing at least we have it in our power to do not to aggravate the inequality by oppressing the manufacturing industry of India by burdens and restrictions from which that of our native country is happily exempt: when they are both regarded with equal favour, as far as the regulations of government are concerned, the demands of justice and humanity will have been fulfilled, and the reproach taken from our nation of hastening the natural decay of Indian manufactures from a selfish regard to our own interests.' This outraged Christian with his disarming naivete failed to see the basic purpose of the British imperial presence in India although the evidence he collected cries out for a simple conclusion. The Board of Customs, by contrast, made a relevant connection between British interests and events in India. Commenting on the differential taxation of imports and their Indian substitutes, the Board pointed out, 'The irregularity noticed in the (Trevelyan) Report between the inland duties and the import duties is a real and crying evil but it was forced upon the country by the British legislature.'³⁹ In the same vein, Holt Mackenzie wrote, 'Hitherto

³⁸ Board of Customs, Reply addressed to Bentinck, reproduced as Appendix in *Trevelyan Report*.

³⁹ Board of Customs, Reply . . .

the attention of the authorities at home, and of the mercantile body generally in England, would appear to have been directed chiefly to the object of finding a market for manufactures of the U.K.'⁴⁰

An example of the destructive impact of the BITDS upon Indian industry is to be found in the case of the production of cotton textiles in Oudh for which the Vizier of Oudh had obtained a concession. Under this concession, British India's imports of cotton textiles from Oudh were to pay a custom duty of 2.5 per cent rather than the much higher duty levied on the cotton textiles of British India. In 1823, the Governor General's minutes noted, 'But it will be seen that while the import into Calcutta of piecegoods the produce of foreign territories, chiefly Oudh, has more than doubled and appears steadily to advance, there is exhibited a much less favourite result in regard to the produce of our territories. How far the tax has operated to check the manufacture I cannot attempt to define. The valuation according to which it is denied is generally moderate. It must have however had a considerable effect.'⁴¹

A SUMMING UP

Evidently, the BITDS provided a confluence of British mercantile and industrial interests in India. During the mercantile era, this burdensome and oppressive system made Indian trade relatively uneconomic and, at times, physically impossible thus hastening the subjugation of the Indian market to the monopoly control of British merchants. The Charter Act of 1813 formally ended the era of the merchant and began the era of the British industrial bourgeoisie in India. Now, the BITDS began to reduce the profitability and feasibility of not only Indian trade but also of Indian industry in general. As a result, the very considerable, and at times total, switch of the Indian market from native products to their British-made substitutes was brought about

⁴⁰ H. Mackenzie, *Memorandum*.

⁴¹ Cited in C.J. Hamilton, *Trade Relations between England and India, 1600-1896* (Calcutta, 1919), pp. 215-16.

not only by mere differences in their respective costs of production and marketing but also by the historical circumstances that attended the introduction of the British products in India. However remarkable, the BITDS was but one aspect of these circumstances brought about through the fulfilment of Britain's imperial purpose in India. In fact the BITDS is historically distinguished not as a British innovation but as a native Indian system adapted by the British for the novel purpose of turning British India into a captive market for British merchants and for products made in Britain. This goal was achieved by the time the British ruling classes recognized the injustice of the system and decided to turn British India into a single free market.

Chapter Twelve

Bombay Merchants and Structural Changes in the Export Community 1850 to 1880*

MARIKA VICZIANY

It is a commonplace observation in the books written on the economic history of the subcontinent that the development of Bombay differed greatly from that of Calcutta because the indigenous entrepreneur played a much more important role in the trade and industry of western India than did his counterpart in Bengal.¹ However, the evidence presented here suggests that this difference has probably been exaggerated, and that in the colonial port-city of Bombay there were forces at work in the nineteenth century which facilitated the growing commercial dominance of foreign business houses. This paper is a case study of the raw cotton export trade of Bombay in the period 1850 to 1880. In the light of recent research on the process of indigenous capital formation in 'backward economies', one need hardly emphasize the importance of establishing the identity of those business interests which controlled the export of India's leading cash crop. The criteria for 'control' or 'dominance' is the ownership of raw cotton at the time of its sale in an overseas market: more specifically, this paper shows that after 1870 a growing

* Marika Vicziany, 'Bombay Merchants and Structural Changes in the Export Community 1850 to 1880' Chaudhuri and Dewey (eds), *Economy and Society: Essays in Indian Economic and Social History* (Delhi, 1979).

¹ See, for instance, Morris D. Morris, *The Emergence of an Industrial Labour Force in India, A Study of the Bombay Cotton Mills 1854-1947* (London and California, 1965), p. 15, note 28.

proportion of the profits earned in the raw cotton export trade went to foreign firms, whereas in the previous decades the greater part of these profits had been earned by the indigenous merchants. The timing of this change had important long-term implications because after 1870 the declining value of the Indian rupee meant that foreign firms were reluctant to hold rupee assets. But there is a second sense in which the European firms 'dominated' the cotton trade even before they came to 'dominate' as actual shippers. Their presence was felt through the modern institutions which handled banking, shipping and insurance in Bombay, because in addition to business on their own account the European firms acted as agents for Indian shippers.² Prior to 1870 the bulk of native consignments was channelled through the agency houses. This method of trade was called the consignment system. The 'dominance' by the European firms cannot adequately be explained in terms of their superior capital or financial resources, for, on the basis of the limited evidence which is available, it appears that the European agency houses borrowed extensively from local Indian merchants.³ Nevertheless, there can be little doubt that the European firms were more skilled in pooling resources and better at collating market information from overseas.

There are two parts to this paper: the first deals with a statistical survey of the number of Bombay cotton shippers and the degree of concentration in the export trade, and the second

² Some prominent Indian firms which had agents in London also acted as consignment agents for the Bombay merchants. A list of these is given in the *Times of India*, 2 March 1867, 3 at a time when the rate of commission was increased from 2.5 to 3.5 per cent. It is difficult to say what proportion of the Bombay consignment trade these Indian firms attracted. The impression is that the European houses handled the bulk of this sort of business because (a) they had wider business networks in Britain and Europe and (b) they were more familiar with the market and had better access to credit. In any case, after the 'Share Mania' most of the Indian agencies disappeared.

³ See the Balance Sheet of Nicol and Co. on their bankruptcy in 1878. One quarter of that firm's 'unsecured liabilities' were classified as 'Native Loans': *Times of India*, 9 Oct. 1878, 3. Meetings of the creditors confirmed that Nicol and Co. owed a lot of money to Indian investors: *ibid.*, 5 Oct. 1878, 2; 9 Oct. 1878, 3. The *Times of India* reported on 11 Oct. 1872, 2 that Nicol's failure had shaken 'native trust in Europeans.'

attempts to explain the structural changes outlined by the survey. It needs to be stressed that the present study is limited in its aims. The multifaceted character of India's international trade in the mid-Victorian era has been greatly simplified. Here we will only be dealing with one major cash crop,⁴ with only the port of Bombay from which the bulk of it was exported,⁵ and with only one overseas market, that of Liverpool, to which the greater part of Indian raw cotton was shipped.⁶ For various

⁴ The percentage share of raw cotton in the total value of Bombay's foreign trade in the nineteenth century was: 1800-10: 91.0; 1811-20: 85.7; 1821-30: 42.9; 1831-40: 30.0; 1841-50: 21.5; 1851-60: 45.5; 1861-70: 71.8; 1871-80: 55.5; 1881-90: 40.5; 1891-1900: 31.3. (Source: *The Gazetteer of Bombay City and Island*, I, p. 421.) The above percentages have been calculated from the value of exports given in lakhs.

⁵ Bombay's share of India's total volume of raw cotton shipments in the period 1856 to 1875 was:

1856-7	87.0 per cent	1865-6	65.6 per cent
1857-8	92.0 per cent	1866-7	65.0 per cent
1858-9	94.0 per cent	1867-8	72.6 per cent
1859-60	92.0 per cent	1868-9	70.7 per cent
1860-1	93.0 per cent	1869-70	69.3 per cent
1861-2	86.9 per cent	1870-1	75.0 per cent
1862-3	77.2 per cent	1871-2	66.0 per cent
1863-4	73.6 per cent	1872-3	64.8 per cent
1864-5	72.5 per cent	1873-4	77.6 per cent
		1874-5	80.0 per cent

SOURCE: *Bombay, Annual Statement of the Trade and Navigation of the Presidency, 1855-6 to 1874-5*; J.E. O'Connor, *Review of the Accounts of the Trade and Navigation of India for 1874-5 as compared with previous years* (Calcutta, 1876).

⁶ Liverpool was Britain's major cotton market. The percentage of Bombay's total volume of exports which went to British markets in the period 1855 to 1876 was:

1855-6	76.0 per cent	1865-6	95.8 per cent
1856-7	82.4 per cent	1866-7	94.5 per cent
1857-8	77.0 per cent	1867-8	88.0 per cent
1858-9	76.0 per cent	1868-9	80.7 per cent
1859-60	75.1 per cent	1869-70	80.9 per cent
1860-1	78.4 per cent	1870-1	81.9 per cent
1861-2	93.4 per cent	1871-2	70.9 per cent
1862-3	95.0 per cent	1872-3	72.9 per cent

reasons, the conclusions put forward are tentative. First, the interpretation of the Export Manifests of Bombay (the statistical sources used here) awaits the scrutiny of more readers. Wherever possible the accuracy and reliability of this data was tested against other sources of information. But this procedure was not very helpful when one was confronted with the haphazard way in which the port officials transliterated vernacular names into English. The following survey was compiled from the names of exporters listed in the Export Manifests and because translation was not standardized,⁷ the name of Haji Ghulam Hussain for example could be written in many different and often grotesque ways. In the present paper an arbitrary convention was used in assuming that the various renditions of a similar sounding name referred to one and the same person. This modifies our conclusions by suggesting that the statistical survey probably underestimated the number of small, indigenous firms which participated in the export trade. The problem of identification does not arise in the case of the larger and better known firms. Second, access to the histories, records, journals and account books of both the European and Indian business houses is at present too limited to allow anything but the most superficial comments regarding the organization of individual firms. Our understanding of the entrepreneurial decisions made, and the motives involved, is virtually limited to speculative guesses.

1863-4	95.4 per cent	1873-4	72.1 per cent
1864-5	94.5 per cent	1874-5	69.4 per cent
		1875-6	64.5 per cent

SOURCE: *Bombay, Annual Statements of the Trade and Navigation of the Presidency, 1855-6 to 1875-6.*

⁷ The first attempt to introduce some uniformity into the 'chaotic medley of absurd and inconsistent forms of Indian geographical and personal names as written in the English character' was made by Dr W. Hunter of the Statistical Department of the Government of India. By Government Order of April 1868 Hunter's system was adopted by the Post Office, the Telegraphic companies and the Railways: *Times of India*, 15 Feb. 1872, 3. But the Customs House of Bombay was unaffected by this and remained insensitive to the problem of transliteration.

THE SURVEY

Table 1 was compiled from a detailed survey of the daily Export Manifests of the port of Bombay.⁸ These documents give the name of each shipper (that is, the owner of each consignment), the name of the overseas consignee, and the type, weight, bulk and value of each individual shipment. The data were collected and arranged to answer two basic questions: first, what was the degree of concentration in the cotton export trade and second, were there any significant changes in this during the period 1850 to 1880? Table 1 is an abstract of the results of these enquiries.⁹ The survey involved the three sample years 1851, 1861 and 1875. These were selected because, amongst other things, they roughly spanned the three crucial decades which witnessed a rapid expansion in India's foreign trade.¹⁰ After adding together the day by day exports of each shipper, the merchants were grouped according to the size of their annual shipments. From this it was possible to calculate the total exports of each group and the percentage share of each category of shippers in the total trade of each sample year.

⁸ For an account of the way in which the Bombay Customs House collected this information see: A.W. Elliott (Assistant Collector of Customs). *The Rules and Practice of the Bombay Customs House and the Bombay Customs Code* (Bombay, 1843), pp. 39-53. The Export Manifests of the port of Bombay exist in three forms:

- (a) as the original documents in the present Customs House. But these are unsorted and hence difficult to use.
- (b) in the private publications of certain individuals, but I have not succeeded in locating any of these: see (Maharashtra State Archives), Revenue Dept. 1854, CLXII, Collector of Customs, 28 Jan. 1854.
- (c) as daily reports in the columns of the *Times of India* under the heading 'Journal of Commerce.' This was the source used in the present study. For an account of how the data were collected see my doctoral thesis: 'The Cotton Trade and the Commercial Development of Bombay, 1855-75' (University of London, 1975), pp. 186-9.

⁹ For a complete list of the names of all the Bombay exporters and the quantities of raw cotton shipped by each of them in the years 1851, 1861 and 1875 see my doctoral thesis, *ibid.*, Appendix I, pp. 367-84.

¹⁰ On the problem of selecting sample years see *ibid.*, p. 187.

TABLE 1

A SUMMARY OF A SURVEY ON THE NUMBER OF BOMBAY MERCHANTS EXPORTING BALES OF RAW COTTON TO LIVERPOOL IN THREE SAMPLE YEARS 1851, 1861 AND 1875

Group		Total Number of Shippers	Total Amount Exported	Average per Shipper	Percentage share in total of each Group
<i>1851</i>					
I	10,000 + bales	-	-	-	-
II	5-9,000 bales	4	25,449	6,363	31
III	1-4,999 bales	12	22,255	1,854	26
IV	500-999 bales	17	11,668	686	13.9
V	100-499 bales	95	19,164	202	22.7
VI	1-99 bales	100	5,627	56	6.6
TOTAL		228	84,163		
<i>1861</i>					
I	10,000 + bales	12	270,625	22,552	35
II	5-9,999 bales	25	165,918	6,639	21.5
III	1-4,999 bales	97	226,087	2,330	29.3
IV	500-999 bales	76	55,254	721	7
V	100-499 bales	222	47,607	214	6.2
VI	1-99 bales	116	5,423	47	1
TOTAL		548	770,914		
<i>1875</i>					
I	10,000 + bales	14	340,131	24,295	62
II	5-9,999 bales	10	65,747	6,574	12
III	1-4,999 bales	40	71,768	1,794	13
IV	500-999 bales	35	24,541	701	4
V	100-499 bales	173	37,514	217	7
VI	1-99 bales	149	8,338	56	1.5
TOTAL		421	548,039		

In Table 1 the most noticeable aspect of the cotton trade was that the bulk of the merchants operated on a very small scale.

Hence, in all three samples, Group VI was numerically very large but had the smallest share in the total trade. The survey also suggests a decline, from the 1850s onwards, in the relative importance of the smaller merchants—namely those whose annual shipments averaged less than 500 bales. This distribution of shipments amongst the lower categories was matched by a small number of large-scale firms in the first two categories who, in all three sample years, controlled well over half of the exports.

This general characterization of the cotton export trade obscures a number of important structural shifts which occurred in the years under review. The first thing to note is that in the 1851 sample there were no firms which shipped more than 10,000 bales. If firms operating on such a large scale existed at all, they were possibly exporting to the China market which until 1860-1 attracted about one-third of India's cotton shipments. The appearance of Group I of exporters in the 1861 sample reflected the expansion in India's foreign trade with Europe—a growth which can be traced to the stimulus of the Crimean War. The majority of shippers in this category were Indian firms (see Table 3) who had a long history of trade with the Far East. A comparison of 1861 with 1851 further suggests that in the 1860s the export trade was becoming less concentrated: in 1851 only 16 firms exported 57 per cent of all shipments but ten years later 37 firms exported an equivalent percentage. This coincides with information in the market reports of Bombay which convey a picture of overall prosperity and competition in the commerce of the late 1850s and early 1860s. It was this environment which attracted both large and small merchants, and therefore accounts for the greater number of total shippers to Liverpool in the 1861 sample. The combined effect of the expansion in the volume of trade and the appearance of large operators to the Liverpool market, however, was to reduce the relative share of the smaller merchants in the export trade. This remained a permanent feature from 1861 onwards.

Though limited to changes in the topmost bracket of exporters, the contrast between 1875 and 1861 was even more dramatic. The trend towards growing concentration in this

period is unmistakable. Despite the contraction in the total volume of shipments to Liverpool in 1875, the merchants in Group I greatly expanded their share in the trade both in terms of absolute shipments and their relative share of annual exports which rose to 62 per cent. Nor were these changes accompanied by any great expansion in the number of merchants belonging to Group I, for, compared to 1861, only two more firms had joined that rank by 1875. The middle range of merchants was severely affected by these shifts. The number of merchants in Groups II, III and IV was drastically reduced and so, too, was their total volume of exports and their percentage share of annual shipments.

These structural shifts warrant a closer inspection of the composition of Group I. The following graph illustrates the growing concentration of trade within that category. In 1861 Ritchie Stuart and Co.,¹¹ the largest exporter, shipped 66,000 bales to Liverpool and this was roughly three times the size of average shipments in Group I. However, by 1875 a relatively new firm, that of Gaddum and Co.,¹² shipped more than 100,000 bales and this was almost five times the average in that group. The difference between the largest exporter and the smallest firms in Group I grew much more rapidly than this comparison with average shipments suggested.

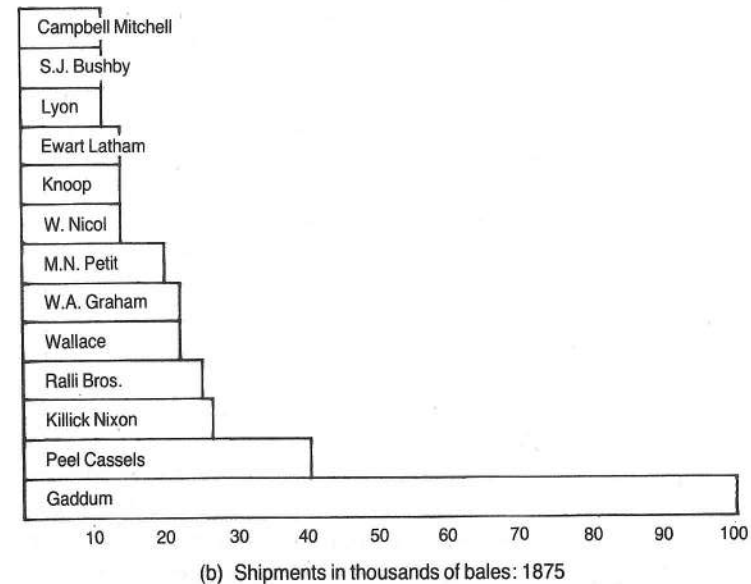
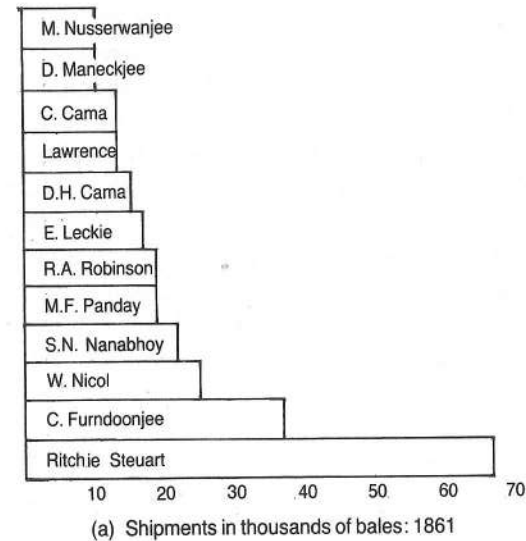
The results of an additional survey involving those firms which shipped cotton to the European continent in 1875 (Table 2)¹³ provides further proof of this growing concentration. With the opening of the Suez Canal a direct trading route

¹¹ This was a Scottish firm, which was first mentioned in the *Bombay Kalendar and Register 1820*, pp. 106-7. For a brief history of this firm see the manuscript of a history of Forbes, Forbes and Campbell of Bombay (2 vols) in the possession of Mr F.H. Kemple of the same firm in Bombay. Forbes and Co. and Ritchie Stuart and Co. amalgamated in 1903.

¹² Gaddum and Co. established a Bombay branch in c.1865. J.K. Bythell, the firm's local manager, became a prominent man in that city. For a fascinating account of the background to the Gaddum family see: P.W.G., *Henry Theodore Gaddum, His Forebears and his Family: A Revision and a Continuation of H.E.G's. The Gaddum Family* (Manchester, 1973, private circulation only).

¹³ This survey was conducted in exactly the same way as the sample of exporters to Liverpool.

GRAPHS SHOWING THE DEGREE OF CONCENTRATION IN GROUP I OF THE COTTON EXPORTERS IN THE SAMPLE YEARS 1861 AND 1875



between Bombay and the continental ports replaced the old practice of transshipment from Liverpool. The changing direction of trade after 1870 could have been reflected in the contraction of shipments to Liverpool and shifts in the relative importance of certain categories of merchants. The evidence in Table 2, however, not only supports the general argument of a growing concentration of ownership in the export trade, but also suggests that exports to Europe were even more concentrated than those to Liverpool. Of the 12 firms which shipped 86 per cent of Bombay cotton to the European ports the majority were already well established in the British markets. Once again, Gaddum and Co. emerged as the largest operators. Taking this firm's total exports to both the European continent and Liverpool, Gaddum and Co. 'controlled' 20 per cent of the cotton export trade of Bombay in 1875.

TABLE 2

A SUMMARY OF A SURVEY ON THE NUMBER OF BOMBAY MERCHANTS EXPORTING BALES OR RAW COTTON TO THE EUROPEAN CONTINENT IN 1875

Group		Total Number of Shippers	Total Amount Exported in bales	Average Exports per Shipper in bales	Percentage share of each Group
I	10,000 + bales	12	267,452	22,288	86
II	5-9,999 bales	3	24,469	8,156	8
III	1-4,999 bales	6	12,682	2,114	4
IV	500-999 bales	4	2,555	639	1
V	100-499 bales	15	3,129	208	1
VI	1-99 bales	9	332	37	-
TOTAL		49	310,619		

Until now we have limited the discussion to the basic structural changes which occurred in the cotton export trade and have concluded from the evidence that this sector of Bombay's foreign commerce was becoming concentrated in the hands of

TABLE 3

THE RELATIVE SHARE OF EUROPEAN AND INDIAN MERCHANTS IN THE RAW COTTON EXPORT TRADE OF BOMBAY TO LIVERPOOL IN THREE SAMPLE YEARS 1851, 1861 AND 1875

Group	Number of Shippers			Quantity Exported in Bales		
	Total	Indian	European	Total	Indian	European
1851						
I						
II	4	1	3	25,449	8,115	17,334
III	12	5	7	22,255	6,233	16,022
IV	17	14	3	11,668	9,335	2,333
V	95	90	5	19,164	17,588	1,576
VI	100	98	2	5,627	5,554	73
TOTAL	228	208	20	84,163	46,825	37,338
1861						
I	12	7	5	270,625	128,799	141,826
II	25	17	8	165,918	109,561	56,357
III	97	78	19	226,087	176,190	49,897
IV	76	72	4	55,254	52,625	2,629
V	222	216	6	47,607	46,022	1,585
VI	116	115	1	5,423	5,373	50
TOTAL	548			770,914	518,570	252,344
1875						
I	14	1	13	340,131	19,617	320,514
II	10	2	8	65,747	10,689	55,058
III	40	34	6	71,768	56,448	15,320
IV	35	32	3	24,541	22,517	2,024
V	173	165	8	37,514	35,329	2,185
VI	149	145	4	8,338	8,114	224
TOTAL	421	379	42	548,039	152,714	395,325

a few, large-scale firms. The second important transformation in the period 1850 and 1880 was in the ethnic character of the merchant community. Table 3 summarizes the relative share

which the Indian and European shippers had in the total annual exports of the three sample years.

Until the 1870s indigenous merchants had a considerable stake in total exports but by 1875 the European firms had superseded, though not entirely replaced them. We begin by examining Table 3 of the exporters to Liverpool. In Group I of 1875 all except one of the merchants (the Indian firm of N.M. Petit)¹⁴ were European. N.M. Petit was in the middle range of the exporters in Group I but his operations in 1875 (19,617 bales) were well below the average for that Group (which was 24,295 bales). Nor did the position of the indigenous firms improve in Group II: of the ten firms only two were Indian houses and their sum consignments amounted to only one-sixth of the Group total. The bulk of traders in Groups III to VI were indigenous and they also exported the greater part of shipments in those categories. But as has already been pointed out, the relative importance of these lower Groups had declined drastically by the 1870s. Thus growing concentration in the cotton export trade implied an

TABLE 4

THE RELATIVE SHARE OF EUROPEAN AND INDIAN MERCHANTS IN THE RAW COTTON EXPORT TRADE OF BOMBAY TO THE EUROPEAN CONTINENT IN THE SAMPLE YEAR 1875

Group	Number of Shippers			Quantity Exported in Bales		
	Total	Indian	European	Total	Indian	European
1875						
I	12	—	12	267,452	—	267,452
II	3	—	3	24,469	—	24,469
III	6	1	5	12,682	1,200	11,482
IV	4	1	3	2,555	504	2,051
V	15	11	4	3,129	2,029	1,100
VI	9	7	2	332	286	46
TOTAL	49	20	29	310,619	4,019	306,600

¹⁴ For a short history of N.M. Petit see *Times of India*, 25 April 1873, 3.

increasing control by European firms. This conclusion is supported by the distribution of shipments to the European continent. Table 4 shows that not a single Indian firm appeared in Group I or Group II, the combined totals of which accounted for about 94 per cent of all the consignments to Europe.

By comparing 1875 to 1851 and 1861 in Table 3 of exports to Liverpool we see striking differences in the involvement of Indian merchants. Although the majority of large-scale operators in 1851 were European firms and they shipped the bulk of the consignments in Groups II and III, the overall share of the Indian merchants exceeded that of the Europeans' because the total volume of exports was distributed more evenly between the Groups. As a result the small shippers (Groups V and VI), most of whom were Indian, had a considerable interest in the export trade. Furthermore, the one Indian firm in Group II (that of Kimchund Moteychund) was the largest shipper in 1851. To sum up: in 1851 Indian merchants exported well over one half of the annual shipments of Bombay. In the 1861 sample the importance of the Indian traders was even greater than this—the quantity shipped by them in that year was roughly double the consignments of the European houses. Table 3 shows that except for Group I this 'dominance' applied to all categories both in terms of the number of indigenous traders and their aggregate shipments. In Group I there were 7 Indian and 5 European firms, the total exported by the latter being slightly larger than that of the former. The leading Indian firm, that of Khurshetjee Furdoojee Parekh,¹⁵ was also the second largest operator in that year—the largest being a European house.

The three sample years used in this survey were widely dispersed in time and therefore can only act as signposts which outline the changing composition of Bombay's export community. But there was other information which helped in identifying the early 1870s as the crucial years of transformation.

¹⁵ H.D. Darukhanawāla, *Parsi Lustre on Indian Soil* (Bombay, 1939), pp. 90–1, 'C.F. Parekh (1819–1896)'. Parekh failed during the Bombay Share Mania in 1866: *Times of India*, 3 July 1866, 3 and John Lawrence Collection, India Office Library and Records, London: MSS. Eur. F. 90/45, Sir B. Frere to J. Lawrence, 7 July 1865, Poona.

In addition to encouraging the heated debates amongst merchants about the proper conduct of Bombay's foreign trade, the local newspapers themselves compiled and published statistical tables which showed the very rapid growth of European ownership in the export of cotton.¹⁶ Against this background we can conclude two things from the above survey: first, that until the 1870s the bulk of Bombay's raw cotton export trade was in the hands of Indian merchants and second, that the trend of growing concentration in the export sector was characterized by European firms acquiring a position of dominance as the owners of export consignments. By 1875 the relative roles and importance of these two sections of Bombay's merchant community had been reversed. Until the turn of the century the European firms continued to dominate Bombay's export trade while the indigenous merchants were limited to inland commerce.¹⁷ In contrast to Calcutta, it was the good fortune of Bombay that the growing dominance of the European firms occurred after a long period during which the Indian merchants had participated in foreign trade. This experience enabled many of the most prominent Indian merchants to acquire the capital and commercial skills which facilitated the transfer of their ability from foreign trade to local industry.

INTERPRETATION

In the second part of this paper we turn to consider the complex of factors which caused or contributed to the structural changes described in the preceding section.

¹⁶ For a complete list of the leading exporters in the years 1870 to 1875 see my doctoral thesis, pp. 199-200; *Times of India*, 3 Aug. 1875, 2; *Bombay Gazette*, 17 July 1872, 2.

¹⁷ This separation of interest was seen in the composition of Bombay's two major merchant associations: 25 per cent of the members of the Bombay Cotton Exchange Limited (an Indian organization formed in 1890) were exporters, the rest importers. But 75 per cent of the subscribers to the Bombay Cotton Trade Association (a European organization formed in 1875) were exporters and only a quarter were importers. M.L. Dantwala, *A Hundred Years of Indian Cotton* (Bombay, 1948), p. 65.

Vernacular newspapers such as the *Jam-i-Jamshed* complained of an element of unfair competition which fostered European dominance in Bombay's export trade. It was reported that the native merchant had been driven from the field¹⁸ and that the European firms, supported by an alien imperial government, now monopolized the export of raw cotton. There is no doubt that some European houses profited from their connections with the Bombay government, and that even the most well established Indian firm never enjoyed comparable advantages. Nicol and Co.¹⁹ was the most blatant example of such a well connected business concern. In 1869, as managers of the Elphinstone Land and Press Company, they sold that company's reclaimed lands to the local government at vastly inflated prices. The affair created the widespread impression that a formidable private interest was bearing on the government,²⁰ and this aroused the hostility of the other European merchants. But as this particular example shows, government patronage was highly selective and thus it could not adequately explain changes in the structure of an export trade which involved so many diverse and competing European firms. More importantly, influence in government circles was not only secondary to, but indeed flowed from the strength of a firm's financial connections. Through the Fleming family of Glasgow, Nicol and Co. of Bombay had access to the considerable credit resources of the City of Glasgow Bank. When this bank failed in 1878 it was disclosed that for a token deposit of 5 lakhs the Bombay firm had received advances amounting to 82 lakhs.²¹ Unrestricted credit facilities eventually ruined both the City of Glasgow Bank and numerous associated business houses, but not before Nicol and Co. had grown, at the expense

¹⁸ Extract from the *Jam-i-Jamshed* in *Times of India*, 4 June 1873, 3.

¹⁹ One of the early Scottish firms set up in Bombay. It was first mentioned in *Bombay Kalendar and Register* 1824, p. 87.

²⁰ 'Reports from the Select Committee appointed to Inquire into the Finance and Financial Administration of India', *Parliamentary Papers*, II, 1873 (194) XII, Evidence of J.M. Maclean, 2629, 2486, 2487, 2488.

²¹ *Economist*, 26 Oct. 1878, 1256; 23 Nov. 1875, 1372-3; *Times of India*, 5 Oct. 1878, 2; 9 Oct. 1878, 3; 11 Oct. 1878, 2.

of its weaker competitors, into one of the most ambitious and aggressive firms in western India.²²

Mr Hamilton Maxwell, a partner of Nicol and Co., had been President of the New Bank of Bombay in the 1870s. His discretionary powers were probably instrumental in securing favourable credit terms for his firm because in 1878 it was discovered that despite the warning provided by the tragic history of the old Bank of Bombay²³ the new presidency bank had given Nicol and Co. Rs 510,000 credit without demanding any security or guarantee.²⁴ This type of privilege was not restricted to the head office of the presidency bank; nor was it exclusive to this one European firm. Upcountry branches of the Bank of Bombay had liberal lending policies in their dealings with important European merchants. A newspaper correspondent reported in 1878 from the market town of Amraoti:²⁵

It has always been a matter of surprise to me how our Bank gives large 'cash credits' to the European trading class in Berar who make a living ostensibly on the 'cash credit system' as the capital they are known to possess, in proportion to the advances they are allowed, is no security whatever.

When dealing with the modern banking institutions of Bombay the European firms enjoyed many obvious advantages. To this extent the complaints of the vernacular newspapers were justified. However, the vernacular press itself did not explain or analyse the causes of the disabilities suffered by the Indian merchants: the complaints were bitter but superficial. In all probability the familiarity of the European merchants with the methods of modern banking and the personnel managing these institutions meant that they were less of a credit risk. But a modern banking structure was only one ingredient in the commercial environment of the 1870s and so the skewed nature of

²² *Times of India*, 11 Oct. 1878, 2.

²³ The best account of this is in the 'Report of the Commission on the Failure of the Bank of Bombay', *Parliamentary Papers*, 1868-9 (4162) XV.

²⁴ Extract from the *Rast Goftar in the Report on Native Newspapers*, 19 Oct. 1878, 12.

²⁵ *Times of India*, 12 Oct. 1878, 2.

the credit facilities could not explain the growing dominance of the European firms.

Reflecting the opinions of their compatriot traders, the English newspapers of Bombay argued that the changes in the export sector after 1870 were brought about by the 'superior business aptitude displayed by the European merchants in the special circumstances of the present time.'²⁶ In a strictly literal way, the 'superior business aptitude' of the European merchants was not a convincing explanation because it ignored the substantial contribution of the indigenous merchants to Bombay's early development. But, in a much wider sense, there was some truth to this assertion. After 1870 new methods of conducting long distance trade were rapidly replacing the old ways and it was the European business houses which took the lead in making the necessary adjustments.

i. The Consignment System

The consignment system was the first victim of the revolution in international transport and communication which epitomized the post-1870 era. To appreciate why this was so, it is necessary to review the way in which the system worked. Bombay merchants and firms who did not have overseas contacts (head offices, branches or correspondents) shipped produce to foreign markets through agency houses. The agents assumed all the responsibilities for managing the export operations. This allowed exporters who did not have any specialized knowledge of the cotton trade, who did not speak English or any other foreign tongue, and above all, who did not possess substantial capital of their own, to engage in long distance trade. The existence of a consignment system suggests that until the 1870s the export trade of Bombay was not very specialized. More significantly, it also indicates that the European firms in their capacity as agency houses played a 'dominant' role in India's foreign commerce long before they came to 'dominate' as shippers on their own behalf.

²⁶ *Ibid.*, 24 Oct. 1872, 2.

The consignment system evolved from the East India Company practice of giving advances to private traders of up to two-thirds on the value of any shipment.²⁷ The value of a consignment (its anticipated selling price abroad) was determined on inspection by a government official. After 1851 the Company discontinued this practice and agency houses and exchange banks substituted for the Company's role. From then on the consignment system was a much more elaborate process. A multifaceted trade pattern which involved many intermediaries (see diagram) replaced the vertical flow of goods which had previously been channelled through the East India Company.

The consignor now obtained an advance from the Bombay agency house either directly through the agent's consignment department or indirectly through an independent consignment broker.²⁸ As before the money advanced was calculated on the basis of the anticipated proceeds but the actual proportion of the advance to the total value of the goods fluctuated with the degree of competition between the agency houses.²⁹ The company's practice of inspection was abandoned and instead the consignor now needed the 'good word' of a guarantor. In short, the consignment system came to be based on the principle of *Shah*—the ancient Indian custom of doing business only with persons of good character. The guarantor could be either a well known Bombay firm or the Bombay agent of an important upcountry trading concern. Guarantees for the quality of the consignment were given verbally to the manager of the agent's consignment department, but after the notorious Aurora Frauds

²⁷ For the conditions relating to the hypothecation of goods by the Company see: 'Report from the Select Committee on Indian Territories, with Minutes of Evidence', *Parliamentary Papers*, 1852 (533) X; Appendix 2, pp. 311–55.

²⁸ Bombay High Court (hereafter BHC), Justice Charles Sargent's notebook (hereafter BHC Sargent), vol. xxii, no. 257 of 1871, pp. 24–36, Evidence of Heerjeebhoy Hormusjee (consignment manager of Forbes and Co.); pp. 42–3, Evidence of Panachund Jadowjee (consignment broker to Forbes and Co.).

²⁹ *Proceedings of the Council of the Governor of Bombay 1869*; 21 Oct. 1869, Mr A.H. Campbell (of Ritchie Steuart and Co.), p. 217.

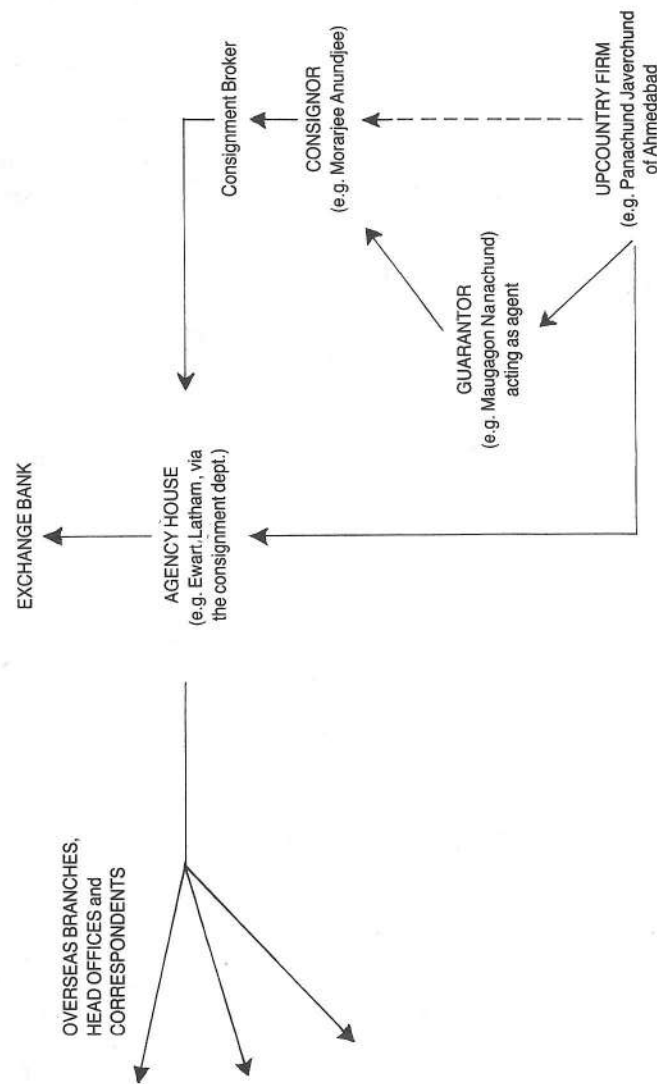


DIAGRAM ILLUSTRATING THE PRINCIPAL INTERMEDIARIES INVOLVED IN THE CONSIGNMENT SYSTEM AFTER 1851

(1870)³⁰ it became more common to demand a written guarantee.³¹

The consignment system relied upon a battery of intermediaries not only at the export end but also on the purchasing side. In the diagram for instance,³² the consignor purchased raw cotton through his *shroff* (banker, money changer) who in turn purchased the goods from a larger firm—often a firm for which the *shroff* was acting as a Bombay commission agent. The *shroff* was not only the consignor's purchasing broker but also his guarantor. Sometimes the firm with which the *shroff* was connected acted as the guarantor. Apart from the conflict which could arise from this intermeshing of interests, the noteworthy point about the system was that the consignor's sole function was to issue instructions to various middlemen. If instructions could be given promptly, it was possible for the consignor to minimize his capital investment by using the advance from the agency to pay for the raw cotton he had purchased.³³ Could it be that the consignment system was one of the reasons behind the highly speculative character of the cotton trade in the 1850s and 1860s?

Shipping cotton through an agency house was not unlike mortgaging property—with the difference that accounts were settled after the consignment had been sold abroad. Once an

³⁰ On the Aurora Frauds see: *Times of India*, 20 July 1870, 3–4; 1 Aug. 1870, 5–6. These frauds were perpetrated by the leading *European* freight broker house of Bombay.

³¹ BHC Proceedings on the Original Civil Side (hereafter Proceedings), no. 257 of 1871, *Forbes and Co. v. Ootoomchund Heerjee*, Statement of Plaintiff.

³² This illustration is based on information gathered from numerous cases in the High Court of Bombay. A good example of an Indian shipper who lacked any expertise in the cotton trade is to be found in: BHC Sargent, vol. xxii, no. 257 of 1871, 9 Dec. 1871, pp. 70–3, Evidence of Latiff Noor Mahomed (the shipper); pp. 51–6, Evidence of Mohunjee Bhimjee (guarantor). Latiff N. Mahomed was a timber broker by profession and on his own admission, could not tell the difference between one type of cotton and another.

³³ Sometimes consignment business was more blatantly resorted to as a method of raising short term finance. Once the money had been obtained many of these 'merchants' absconded: *Times of India*, 29 July 1872, 2; 18 Feb. 1867, 2; 14 Nov. 1866, 2; *Bombay Gazette*, 25 May 1871, 3.

agreement had been reached between the shipper and the agent, the former drafted a Bill of Exchange which was then discounted by the agency house. Often this Bill was rediscounted by the agent with a local exchange bank. If the consignment realized a profit, the difference between the proceeds and the advance was remitted to the consignor. If the proceeds fell short of the advance, a redraft demanding payment of the difference was presented to the shipper.³⁴ The remission of profits (or losses) to the Bombay exporter is the criterion for determining the ownership of Bombay's export staples.

In both its domestic and international aspects the consignment system had obvious weaknesses. For the agent the security of a verbal guarantee was not always sufficient because it was difficult to establish what exactly the guarantor had promised. Even written guarantees were inadequate protection if a serious disagreement arose between the agent and the guarantor about the quality and value of a consignment. Then there was the possibility that the guarantor himself had an ulterior interest in securing an advance on the consignor's behalf. One such case occurred in 1870 when the shipper used his advance to pay off his largest creditor, the Ahmedabad firm of Panachund Javerchund.³⁵ The guarantor, Maugagon Nanachund, had also been acting as Panachund's agent. A third type of risk arose if a Bill of Exchange was discounted before the goods were loaded on ship. This provided the exporter with an opportunity of substituting the intended consignment with inferior goods.³⁶ But

³⁴ BHC Proceedings, no. 105 of 1865, *Passmore and Co. v. Jetha Megjee*, Statement of Plaintiff.

³⁵ BHC Sargent, vol. xxi, no. 585 of 1870, pp. 118–20, 122–6, Evidence of Sorabjee Nowrojee (consignment manager of Ewart Latham and Co.); *ibid.*, vol. xxii, 585 of 1870, pp. 44, 49–63, Evidence of Girdhur Dalsook. The names of the parties involved in this case were used as illustrations in the diagram.

³⁶ In 1872 Dewsee Jairaz and Nursey Lilladhur were convicted of attempting to cheat Ewart Latham and Co. by shipping cotton waste and sweepings instead of old Dholera and New Kutch cotton: *Times of India*, 3 July 1872, 4. A more controversial case which also involved an internal caste dispute was that of Govind Girdhur: BHC Sargent, vol. xv, no. 252 of 1867, *Trustees of Govind Girdhur v. Macdonald Twedie and Co.*, pp. 8–9, Evidence of Govind Girdhur; pp. 21–3, Evidence of Mooljee Thackersey (Mukaddam to Twedie). But a firm which was really desperate for finance would not even bother to

fraud of this sort was very rare. The exporter, on the other hand, was at risk when a Bill of Exchange was discounted by the agent at an exchange bank. The Bombay banks had no interest in the identity of the actual consignor. According to Otto Müller, manager of the Comptoir d'Escompte de Paris in Bombay, the exchange banks looked to the credit and respectability of the firm managing the shipment because the 'consignors were often men of straw and we never look to them.'³⁷ From statements such as these, it appears that the principle of *Shah* had been adopted by the modern financial sector of Bombay. Thus, when an agency house failed, the exchange bank appropriated all the property tied to those unmatured Bills it had discounted. When, for instance, Tyabji and Co. went bankrupt in 1866, their creditor, the Comptoir d'Escompte de Paris, refused to settle accounts directly with the clients of this agency house.³⁸ The wealthier shippers could challenge this procedure in the High Court, and at least one Indian merchant had his property returned in this particular instance.³⁹

In its international aspect the most common complaint by the agency houses was the difficulty of ascertaining the identity of the Indian partners involved in joint ventures. When a redraft was due it was in the interest of those persons who wanted to escape from their financial commitments to say that they did not belong to the firm concerned, or that they had no share in that particular venture.⁴⁰ In the absence of any system of

ship produce once an advance had been obtained: see *Times of India*, 8 Feb. 1871, 5 and 14 March 1871, 3, regarding the fraud by Eduljee and Pestonjee Shapoorjee. As the Chamber of Commerce pointed out, the only solution was in European firms not signing Bills of Lading until the goods had been placed on board ship: *Report of the Bombay Chamber of Commerce, 1869-70*, p. 21 and Appendix R.

³⁷ BHC Sargent, vol. XIII, no. 786 of 1866, *Hajee Suffer Misky v. Gustave Pietsch*, pp. 81, 85, 87, Evidence of Otto Müller.

³⁸ BHC Proceedings, no. 786 of 1866, *Hajee Suffer Miskey v. Gustave Pietsch*, Statement of the Defendant.

³⁹ BHC Sargent, vol. XIII, no. 786 of 1866, p. 87, Judgement.

⁴⁰ For example see: *Times of India*, 7 May 1873, 3, Judgement of Mr Justice Green; BHC Sargent, vol. XXIX, no. 343 of 1876, *Henry Maxwell v. Pudumsey Luckumsey*, pp. 76-8, Evidence of Shamjee Sozpal; pp. 69-72, Evidence of

registration,⁴¹ and given the multiplicity of ephemeral partnerships and the general lack of information about the composition of indigenous firms, the agency houses often had difficulty in obtaining restitution from the more anonymous business firms.

But the consignment system displayed its greatest weakness in matters of personal judgement. The problem was that once the shipment had left the shores of western India the consignor had virtually no control over the vital decisions made in the disposal of his goods. In realizing the value of the consignment the shipper was totally dependent on the good faith, good sense and accurate judgement of the overseas agent. Hence it was the custom to meet a redraft only on the understanding that the agent had exercised all due skill and caution on his client's behalf.⁴² If negligence could be established the redraft was rejected on the basis of a breach of contract. In times of great economic uncertainty there was every possibility that the overseas agent and the Bombay shipper would differ not only in their assessment of the present and anticipated condition of the market but also in the appropriate course of action. One illustration should suffice to clarify this point. In 1864 the firm of Ramkrishna Sazba rejected a redraft from Lawrence and Co. alleging that the overseas agent had failed to understand the developments in the American Civil War:⁴³

If peace in America had been re-established and dreading the consequence they had sold our cotton we would not have grudged to accept

Rodger Sedgwick; BHC Proceedings, no. 343 of 1876, Statement of the Defendant.

⁴¹ The Chamber of Commerce's request for the compulsory registration of Indian partnerships had been rejected by the Government of India as impracticable and unsuited to Indian conditions: *Report of the Bombay Chamber of Commerce, 1867-68*, pp. 132-3, J. Taylor to the Secretary to Government Judicial Department, 24 Jan. 1868, Bombay; *ibid.*, 1874-75, pp. 491-5. The request was repeated in 1878: *ibid.*, 1878-79, pp. 439, 447-9. But the Chamber withdrew its demand because the task of drawing up a draft Bill proved too difficult; *ibid.*, 1878-9, p. 336.

⁴² BHC Sargent, vol. XIII, no. 1779 of 1866, *Roper Price v. Assaria Poonsey*, p. 101, Evidence of Assaria Poonsey.

⁴³ BHC Proceedings, no. 113 of 1865, *Lawrence and Co. v. Ram Krishna Sarzba*. Exhibit F, Sarzba to Lawrence, 16 Dec. 1864.

their Bills; but on the contrary, it was a time when it was believed by the English public that Lincoln stood almost every chance of re-election and when symptoms of money becoming easy were apparent. We must respectfully state that we do not think that Messrs. Lawrence and Co. paid regard to our interest.

To this the agent replied:⁴⁴

We can assure you that opinions were very much divided on the subject (of the course of the war) and as to any prospect of money becoming cheaper, we think that it was generally believed that it would become still dearer.

Even when the Bombay exporter and the foreign agent communicated regularly, ultimately it was the agent's responsibility to decide when and how much cotton to sell. This method of long distance trade placed the Bombay exporter in a weak and disadvantageous position. The agent for his part began to take, from the mid-1860s onwards, measures to secure his position by rewording the Letter of Hypothecation. This document set out the conditions of the advance and gave basic instructions for the insurance and sale of the consignment. It also included a clause which said that all redrafts would be accepted by the exporter *provided* that the transactions had been conducted in good faith. By the inclusion of a new clause the agent relieved himself of this constraint and in future the consignor was compelled to accept all redrafts unconditionally.⁴⁵

Despite the inherent weaknesses in this method of trade the consignment system was not breaking down of its own accord. The agency houses and exporters were aware of the risks attached to this type of business activity and adjustments on both sides were continually being made to eliminate the worst defects. Also it is important not to exaggerate the element of conflict which was involved. The Civil Proceedings of the High Court of Bombay, from which most of the information on the relationship between the agency houses and the shippers was collected, dealt only with the litigious aspects of Bombay's commercial life. The

⁴⁴ *Ibid.*, Exhibit G, Lawrence to Sarzba, 17 Dec. 1864.

⁴⁵ BHC Proceedings, no. 1779 of 1866, *Roper Price v. Assaria Poonseey*, Statement of Defendant and Exhibit of the Hypothecation Document.

principal threat to the consignment system probably came from Bombay's 'Share Mania'.⁴⁶ The financial crisis of the mid-1860s not only destroyed the leading Indian firms,⁴⁷ many of which had acted as guarantors for the smaller shippers, but it also severely shook the confidence of Bombay's trading community and thereby ushered in an era characterized by excessive caution and distrust. The 'Share Mania' had damaging repercussions. Even so, the combination of these external and internal pressures would not have sufficed to doom the consignment system to extinction. The real challenge came from the changing international environment in which long distance trade after 1870 was conducted, and the novel demands this made on those firms which wanted to trade in Indian staples.

ii. *The International Environment*

With the end of the American Civil War the United States gradually regained its position as the world's leading producer of raw cotton. From 1866 onwards this was reflected in the long term decline in cotton prices, from which India was the first to suffer because the short staple she produced had a limited and irregular market unlike the medium and long staple substitutes grown by her competitors. For the Bombay shipper the export trade became extremely risky. By comparison, the European importing firm was in a much better position to assess fluctuations in demand on the basis of which it could then place specific orders in Bombay.⁴⁸

If importers at home who should know exactly the wants of the consumers on the spot, send out their letters of credit with orders for cotton to be sent overland, our merchants will no doubt be glad to do such business with all possible despatch. But as to shipping cotton around the Cape on the responsibility, either directly or secondly, of merchants here, that we take to be out of the question for anyone who

⁴⁶ For an account of this financial crisis see: R.S. Rungta, *The Rise of Business Corporations in India 1851-1900* (Cambridge, 1970), pp. 72-93.

⁴⁷ For a list of the major Indian firms which failed in the 1860s see my doctoral thesis, Appendix VI, pp. 395-7.

⁴⁸ *Times of India*, 2 May 1867, 2; also 29 Aug. 1867. 2.

looks fairly at the present position of the market and the rapidly increasing stocks.

Some European firms had already established branches in Bombay in the early 1860s, and after 1866 the role of these in forwarding produce to their head offices became more important. Reliable telegraphic communication⁴⁹ also increased the preference of the European based firm to import cotton on its own account. Everything now depended on speed, promptitude and precision.⁵⁰ By contrast, the consignment system became cumbersome and outmoded and it was unable to adapt to the development of international future trading. Rather than ship blindly to Liverpool in the hope of selling cotton after arrival, telegrams enabled the Bombay merchants to trade by 'firm offers.' Shippers now cabled 'offers' to Liverpool and these were accepted 'if they were at such prices as would enable the house . . . to sell "futures" against them at a profit.'⁵¹ Many indigenous merchants who survived the 'Share Mania' faced bankruptcy in the late 1860s and early 1870s;⁵² according to the Bombay newspapers this happened because they had not resorted to the new business methods.⁵³

As distant markets were brought into closer and more frequent contact with telegraphic communication, the opening of the Suez Canal and the growth of steam shipping, the price differences between goods in these markets tended to diminish. In such a situation profits margins in long distance trade were

⁴⁹ In 1864-5 the average time of transit for a telegram between Britain and Karachi via the submarine cable was 5 to 6 days: *General Report on the Administration of the Bombay Presidency 1864-65*, p. 171 and Appendix VI. By the mid-1870s the time of transit had been reduced to a maximum of four and a half hours via Teheran and 23 hours via Turkey: *Indo-European Telegraph Department Administration Report 1875-76*.

⁵⁰ *Times of India*, 24 Oct. 1874, 2.

⁵¹ T. Ellison, *The Cotton Trade of Great Britain* (London, 1886), p. 280. Ellison's comment was a general one, though it also applies to Indian trade.

⁵² *Times of India*, OS, 25 Dec. 1869, I, re failure of Goculdass Lilladhur, Dyal Khimjee and Mukundass Morarjee.

⁵³ *Ibid.*, 10 Jan. 1870, 2; 3 Feb. 1870, 3. But without access to the records of these Indian firms, we cannot be sure of the business methods used by these houses.

bound to shrink.⁵⁴ Profits could be maintained only if measures were taken to reduce the costs of inland transport and foreign shipping. The new technology of the 1860s and 1870s made this possible, but it was up to the individual firm to take the necessary measures to streamline its trading operations. As economies of scale became increasingly important in this process of adjustment, the larger firms came to dominate Bombay's foreign trade.

Economies were first effected in the inland transport of raw cotton. The European firms in Bombay sent their representatives to the upcountry market towns as soon as these had been linked by the railway lines to Bombay city.⁵⁵ The inland agents not only purchased supplies but also ginned and pressed cotton. Before the coming of railways, cotton reached Bombay city in loosely packed bales called *dokra*. This form of packaging was unsuitable for railway cartage and the Great Indian Peninsular Railway Company introduced a graduated freight rate which penalized *dokras* and encouraged the movement of half-pressed, and especially full-pressed bales.⁵⁶ Those merchants who wanted to avail themselves of the advantage of railway transport therefore had no choice but to full-press cotton in the hinterland.⁵⁷ This development in packaging might have appeared trivial, but it had far-reaching consequences. After cotton had been full pressed upcountry, it was ready for immediate export on arrival in Bombay. Full-pressing in the hinterland eliminated a wide range of charges incurred by the inspection, repacking, storage

⁵⁴ *Bombay Gazette*, 1 Jan. 1872, 2.

⁵⁵ For an account of the development of Bombay's railway lines and their effect on inland trade see my doctoral thesis, chapter 6.

⁵⁶ The amount of railway freight saved by full pressing cotton into bales of 400 lbs. each, rather than transporting an equal weight in *dokra* form, was calculated to be in excess of Rs 7 per bale: *Bombay Builder*, 5 Dec. 1866, p. 122; also see *Times of India*, 12 Oct. 1866, 3.

⁵⁷ For a discussion of the early problems of rail transport see: 'Railways in India 1865-66', *Parliamentary Papers*, 1866 (3696) LI, pp. 605, 613, 619; *Native Opinion in the Times of India*, 7 May 1866, 3; 'Report of Mr H. Rivett-Carnac, Cotton Commissioner for the Central Provinces and the Berars, On the Operation of his Department for the year 1867', *Parliamentary Papers*, 1868-9 (289) XLVI, pp. 75-8, 90-2.

and cartage of unpressed cotton and half pressed cotton on the Bombay market. But, because a full-pressed bale was never inspected or opened, the success of this system depended on the use of standard cotton classifications from Liverpool. Unfortunately, for reasons not entirely clear to us, the indigenous merchants both in Bombay city and the upcountry towns were slow in adapting to this practice and as a result they forfeited a large part of the inland trade to European business houses.⁵⁸ By moving into the hinterland the European firm integrated and simplified a marketing process which had involved various Indian middlemen, each with a distinct function. It was the large-scale firm which benefited most from this transition.

Equally important was the reduction in shipping costs between Bombay and Liverpool. But this was not feasible until the opening of the Suez Canal which greatly enhanced the advantages of transport by steam ship. First, a steamer could be loaded in under ten days, but a sailing ship required up to five weeks.⁵⁹ As a result, steamers reduced the costs of storage and fire insurance on the Bombay foreshore. Second, although the freight rates for shipment through the Canal were higher than those for the old route around the Cape of Good Hope,⁶⁰ the shorter duration of the voyage lowered the cost of marine insurance and reduced any deterioration in the quality of the goods.

Shipping by steamer through the Suez Canal created new problems for the small-scale operator. The accelerated speed of long distance transport allowed Indian cotton to reach Liverpool earlier in the year—in the months of June and July. It was during this same period that the bulk of American cotton came to the British market. As a result, after 1870, Indian cotton competed more directly with the American supply.⁶¹ What prevented the Bombay exporter from spreading his shipments more evenly over the whole year? It was the monsoon. Until the construction

⁵⁸ J.K. Bythell (Gaddum and Co.) before the Annual General Meeting of the Bombay Chamber of Commerce: *Times of India*, 15 March 1872, 3.

⁵⁹ *Times of India*, 5 Aug. 1874, 2.

⁶⁰ See reports on the freight market in the 'Journal of Commerce', *Times of India* from 1870 onwards.

⁶¹ *Ibid.*, 5 Aug. 1874, 2.

of proper dock facilities in the 1880s, Bombay's shipping season was limited to the first half of the year. The monsoon rains of late June not only disrupted international shipping, but also coastal transport which remained an important method of conveying the cotton from Gujarat and Kathiawar even after the railways had linked the northern provinces to Bombay city. The monsoon climate, combined with the uncertain demand for Indian cotton in the short term, made the costs of storage in Bombay city or in the upcountry markets prohibitive. Poor storage facilities meant a deterioration in the quality of the fibre and hence its market value, whilst the additional expense of warehousing, without the certainty of a better selling price at a later date, was a risk which the Indian merchant could not easily undertake. The alternative of storing cotton in Liverpool or Manchester for an indefinite period was not a feasible proposition for the Indian shipper who had no foreign warehouses and who was dependent on his agent's judgement in timing the sale of his goods. Furthermore, after 1870, when the usance on Bills of Exchange was reduced from four to three months,⁶² the Bombay shipper had less time in which to realize the value of his shipment. Although we do not know much about the financial resources of the large British and European firms it seems improbable that their trading operations were seriously restricted by considerations such as the usance on foreign bills. Also, the Bombay house which had its head office in Liverpool, Manchester or London was more likely to possess the management and financial resources necessary for carrying stock.

iii. *The European Firms*

Not only were the international conditions favourable to the rise and spreading influence of the European firms, but also within India itself the growth of modern transport helped foreign firms

⁶² *Bombay Gazette*, 11 July 1870, 2. The usance on foreign bills had already been reduced from six to four months sight in 1866 (*Times of India*, 11 July 1866, 3; 23 Aug. 1866, 2; 27 July 1866, 2) and the native merchants had complained of the hardship which this occasioned (*Indu Prakash* extract in *Times of India*, 19 July 1867, 3).

to achieve the position of 'dominance' which was discussed earlier. This section of the paper examines the activity of the European firms in the Bombay hinterland.

Although the opening of the Suez Canal increased direct trade with the European continent, only a few new firms were established in Bombay. There had already been a great expansion in the number of foreign business houses. Three main stages of growth can be distinguished. Following the gradual abolition of the East India Company's trading privileges, a number of Scottish firms were set up in the 1820s and 1830s.⁶³ The abolition of the Navigation Acts further broadened the sphere of private trade,⁶⁴ and for the first time continental firms like Volkart Brothers⁶⁵ were attracted to the trade of the east. Then in the 1850s and 1860s branches of Manchester and Liverpool houses were established. These were motivated by the prosperity of India's foreign trade and the new opportunities created by the growing commercialization of India's agricultural production. It was the largest of these firms, Gaddum and Co. and Ralli Brothers,⁶⁶ which came to dominate the cotton trade of Western India.

The European firms of Bombay were not a homogeneous group: they had been established at different times for different reasons, they represented many nationalities, and they were engaged in a diverse number of commercial ventures. But transcending all these differences was their attempt to achieve some vertical integration in their cotton export business. Since the

⁶³ *Bombay Times*, 8 March 1852, 226.

⁶⁴ The double duty on imports and exports in foreign bottoms had worked prejudicially on Bombay's foreign trade with the European continent: 'Third Report from the Select Committee (of Sess. 1847) on the Navigation Laws', *Parliamentary Papers*, 1847-8 (7) XX, Part I, F.C. Brown, 3820-1; P. Colquhoun, 3951.

⁶⁵ For a history of this Swiss firm see: H. Peter, Solomon Volkart (1816-1895), in *Schweizer Pioniere der Wirtschaft und Technik* (Zürich, 1956), no. 6, p. 59-; G. Reinhart, *Volkart Brothers*, In *Commemoration of the Seventy-Fifth Anniversary of the Foundation* (Winterthur, 1926).

⁶⁶ For the background to this Greek business house see: *Ralli Brothers Limited* (London, 1951); J. Gennadius, *Stephen A. Ralli, A Biographical Memoir* (London, 1902); B.G. Orchard, *Liverpool Legion of Honour* (Liverpool, 1893), 'N. Paspatis.'

1840s the European firms of Bombay had expressed the desire to eliminate the Indian intermediaries who purchased cotton in the agricultural districts, transported it to Bombay city and then resold it to exporters. The first attempts by Europeans to place their agents in the upcountry markets were not successful.⁶⁷ But with the construction of the major railway lines European firms rapidly established their presence in the hinterland in the form of upcountry purchasing agents and upcountry ginning and pressing companies. The leading European houses of Bombay city promoted and managed the companies: for example, Nicol and Co. managed the Mofussil Press and Ginning Co.,⁶⁸ Volkart Bros. were associated with the United Press Co.,⁶⁹ and Gaddum and Co. controlled the Berar Co.⁷⁰ The companies owned factories in the hinterland markets: in 1875 for instance the Berar Co. owned ginning factories at Budnaira and Khamgaon and pressing factories in Julgaon, Khamgaon, Akote and Amraoti.⁷¹ The European managers were usually shareholders in these companies, had representation on the Board of Directors, and derived their income from both commission on management and dividends as part-owners. Although most of the ginning and pressing companies represented joint ventures between European and Indian capital (as evinced by the mixed character of the Boards of Directors), it seems that the involvement of indigenous business interests did not go beyond the motivation of a good investment. By contrast, the European managing firms viewed these companies as tools for their own advancement in the export trade of western India. In turn, the financial success of these companies was directly linked to the fortunes of the European managers. The struggle between Macauley and Co. and Gaddum and Co. for control of the Mofussil Press and

⁶⁷ See my doctoral thesis, chapter 6, pp. 247-59.

⁶⁸ *Times of India Directory 1870*, pp. 491-4.

⁶⁹ This company was formed in 1873 with the amalgamation of factories in Tuticorin, Berar and Kathiawar. In 1873 an 8 per cent dividend for 6 months was declared (*Times of India*, 16 Sept. 1873, 3).

⁷⁰ *Times of India Directory 1875*, p. 385. By 1880 they also managed the India Press Co., *ibid.*, 1880, p. 792.

⁷¹ *Times of India Directory 1875*, p. 385.

Ginning Company in 1878 demonstrated this point. The shareholders eventually elected Gaddum and Co. to replace Nicol and Co. as managers for the following reasons.⁷² First, because Gaddum and Co. were the largest buyers of cotton in the mofussil, it was expected that as managers Gaddum would bring a large proportion of their cotton to be cleaned and packed at this company's factories. Second, Gaddum and Co. were prepared to buy shares in the Mofussil Press and Ginning Company, thus bringing in new capital and forging a direct identity of interest between the company and its manager. Finally, Gaddum and Co. were already managing the successful Berar Co., and this demonstrated the firm's managerial ability. It is also probable that the Mofussil Press and Ginning Co. envisaged definite advantages from Gaddum and Co. acting as the manager of the two largest, and hitherto most competitive, companies in the hinterland.

Those European firms which were not involved with up-country factories were nevertheless well served by the facilities provided by those which were. Ralli Brothers, for example, did not extend their business activity into this quasi-industrial field until the turn of the twentieth century.⁷³ However, from the mid-1860s onwards, this firm did establish purchasing agencies in the major upcountry markets. It was the responsibility of these agents to fill orders despatched from Bombay, ensure that the cotton was properly ginned and packed into full pressed bales, and expedite the arrangements for transporting these bales to the port of Bombay with the least possible delay.

In the districts where the European firms established agencies, branches and factories they developed new trading networks which partially replaced, or at least circumvented, the old channels of trade via Indian middlemen. The penetration of the European firms into the hinterland stemmed in the first instance from the changes in the export trade. In the previous section we saw that from the mid-1860s the Bombay shippers were under great pressure to effect economies in their trading operations. By integrating the procurement of supply with their export

⁷² *Times of India*, 24 Oct. 1878, 3; 2 Nov. 1878, 3; 6 Nov. 1878, 2.

⁷³ *Ralli Brothers Limited*.

business the Bombay firms were able to meet this challenge. The desire to eliminate the Indian middlemen had existed from the beginning of private trade in India, but it was not until railways provided new economic opportunities that this became practicable or profitable. By the mid-1870s, almost one half of the raw cotton which reached the port of Bombay arrived as full pressed bales, and most of this belonged to the European houses. But it is difficult to conclude from this that the European merchants had established a monopoly of the cotton trade of western India. Even in the Central Provinces and Berar, where the foreign merchants had their deepest roots, it is doubtful whether even the largest firm controlled the supply of any one of the producing districts. The impact of the European firms rarely extended beyond the large inland market towns. Moreover, if they wanted to procure supplies from Gujarat, Kathiwar or Dharwar they had to enter into contracts with Indian importers and middlemen.

iv. The Indian Merchants

The way in which the European merchants responded to the changing circumstances of commerce in the 1860s and 1870s is only one aspect of a complex process. It is equally important to ask ourselves what happened to the Indian merchants who played such an important role in Bombay's foreign trade before 1870? To answer this question we need to differentiate between three basic categories of Indian shippers: the 'men of straw' or the small-scale amateur operators; the importers who specialized in the upcountry trade; and finally the large exporting firm which traded in a number of commodities.

The small-scale, unprofessional shippers (Group VI in Table 1)⁷⁴ persisted as a feature of Bombay's export trade

⁷⁴ This is only a rough approximation. Not all the shippers in Group VI could be regarded as 'men of straw'; some of them were well-known firms which had decided not to deal in raw cotton in those particular years. Nor were all the trade's amateurs confined to this category. Depending on personal wealth, the combined resources of an extended family or a sudden and sizeable inheritance, it was possible for an amateur to deal on a much larger scale.

throughout the period 1850 to 1880. It is difficult to say who these 'merchants' really were because the bulk of them were individually insignificant and therefore remained anonymous.⁷⁵ Many of them were probably small shopkeepers, clerks or petty dealers who shipped produce only occasionally as a speculation. No doubt they often acted on the advice of their better-connected friends. Often their export operations were motivated by the need to raise a short term loan and when things went wrong they normally ran off to their home villages. In these circumstances anyone, even a child,⁷⁶ could become a 'merchant' overnight. Although the operations of these amateurs annoyed the agency houses and professional merchants, they had only a marginal effect on the condition of the trade.

The Indian importer represented a completely different interest. The volume of cotton he exported in any one year varied with the quality of each season's output and the condition of the Bombay spot market.⁷⁷ The large-scale Indian and European shippers tended to export the better quality cotton, and this often left the importer to ship the remaining, less valuable stock. From various petitions and reports it has been possible to establish the identity of the leading firms in this category.⁷⁸ Many of them belonged to the *bhattia* caste. It is difficult to say to what extent

⁷⁵ An example of this was the frequent confusion of names and identities. A certain Bhimjee Canjee narrowly escaped imprisonment by proving that another man by the same name (deceased at the time of the enquiry) was the correct party concerned: BHC Sargent, vol. xxiv, Notes pertaining to Bhimjee Canjee, pp. 22-4 for evidence of various witnesses. Adding to the confusion and enhancing the anonymity of these petty merchants was the custom of trading under assumed or fictitious names: BHC Sargent, vol. xxx, no. 528 of 1877, *Dayabhoy Jugjeewandass v. Wallace and Co.*, p. 88, Evidence of Luckmidass Khimjee; pp. 107-8, Evidence of Motechund Hurruckchund.

⁷⁶ BHC Proceedings, no. 133 of 1865, *Jamnadass Balkisonadass v. Govindass Vurjeewandass*, Statement of Defendant. At the time of purchasing the raw cotton the defendant was 16 years old and a student of Elphinstone College.

⁷⁷ For an account of the intricate market mechanism which influenced the decisions of the Indian importers see my doctoral thesis, chapter 4, pp. 123-32.

⁷⁸ *Ibid.*, Appendix V, pp. 393-5; *Times of India*, 15 Aug. 1876, 3, *re* meeting of Indian cotton merchants to oppose the rules of the Bombay Cotton Trade Association; *ibid.*, 27 July 1874, 3, *re* a petition of Indian cotton merchants 1 July 1874 expressing dissatisfaction with the old contractor of the Railway Carting Agency.

the importing of cotton overlapped with the business of export in any one of these firms. But we do know that Jivraj Balloo,⁷⁹ without doubt one of the largest firms, was also an important exporter of raw cotton. Other merchants, like Mooljee Jeatha, who was the biggest buyer of cotton in the Khandesh district,⁸⁰ preferred to concentrate on the import trade. Goculdass Tejpal⁸¹ and Luckmidass Khimjee⁸² were two firms which shipped large volumes of cotton as part of their general trade. Although they were known primarily as cotton exporters and piecegoods merchants, given the extent of their inland business connections it is probable that they also imported raw cotton and other commodities from the hinterland. The merchants of this class of exporter were eminent men within their own castes, and well known and respected by the European community of Bombay.

Indian merchants who specialized as raw cotton importers did not have the international networks of the larger firms, and hence they shipped produce through agency houses. But this line of business gradually lost its attraction. With the revival of cotton production in America the market for the inferior staples which the importers had shipped in previous years declined. More significantly, the expansion in the number of Indian cotton mills⁸³ increased the internal demand for cheaper varieties of fibre. In supplying a local market the importer no longer needed to bother about ginning and pressing. In brief, the evidence

⁷⁹ F. Vacha, *Mumbai-no-Bahar* (Bombay, 1874), p. 112, gives a history of how the family came from Kutch to Bombay and amassed a fortune.

⁸⁰ *Report of the Commissions to Inquire into the Working of the Cotton Frauds Act (IX of 1863) with Minutes of Evidence* (Bombay, 1873), Evidence of C. Wilkinson, Cotton Inspector for Khandesh, pp. 88-93.

⁸¹ R.F. Vacha, p. 124, records how his uncle first came to Bombay from Kutch and worked his way up from walking the streets as a hawker, to acting as a night watchman, to trading as a merchant along the western coast. Goculdass's father began as a stamper of cotton bales and later joined his brother in the coastal trade. When Goculdass Tejpal died in 1867 he left behind 37 lakhs: BHC Proceedings, no. 601 of 1870, Shamavahoo, widow of Goculdass Tejpal v. Dtwarkadass Vussonjee.

⁸² R.F. Vacha, p. 118. This firm were guarantee brokers to the European agency house of Wallace and Co.

⁸³ Morris D. Morris, Appendix I, p. 213: between 1870 and 1876 the number of Bombay Textile Mills increased from 10 to 29.

suggests that the Indian importer was lured from the export trade by the better alternatives available in inland commerce.

Finally we come to consider the Indian firms which in their size and eminence ranked with, and even surpassed, the leading European houses. The majority of these were Parsi and in the first half of the nineteenth century they accumulated massive fortunes in the China trade.⁸⁴ It was characteristic of these firms to have numerous overseas branches in Britain and the Far East and this enabled them to act in the dual capacity of merchants on their own account, and commission agents. The financial panic occasioned by the crises on the cotton market in 1865 and again in 1866 ruined the best of them.⁸⁵ Two of the important firms which survived, that of Dinshah Manakji Petit⁸⁶ and Merwanji Framji Panday,⁸⁷ were extensively involved in industrial ventures such as promoting cotton mills. After 1866 these firms, like the Indian importers, turned their attention to supplying the internal market. But past assessments of the 'Share Mania' have exaggerated its detrimental effects on the Bombay business houses. The shrewder and more solvent Indian merchants benefited from the collapse in property values by buying valuable estates at depressed price.⁸⁸ The claim made by a contemporary observer,⁸⁹ that every creditor was a debtor and every debtor a

⁸⁴ Christine Dobbin, *Urban Leadership in Western India: Politics and Communities in Bombay City, 1840 to 1883* (Oxford, 1972), pp. 9–13. Kharshedji Furdonji Parekh was a typical case. As the son of a wealthy Parsi merchant he went to China in 1835. After his father's death in 1841 he returned to Bombay and became a partner in Jamsetji Jijibhoy and Sons. When this firm was dissolved in 1850 he began to trade on his own. His personal fortune was immense. D.H. Darukhanawala, pp. 90–1.

⁸⁵ On the failure of K.F. Parekh: *Times of India*, 3 July 1866, 3; on B.H. Cama: *ibid.*, 19 May 1865, 3; 22 May 1865, 3; 13 June 1865, 3; on S.N. Nanabhoy: *ibid.*, 22 May 1866, 3; on Luckmedass Hunsraz: *ibid.*, 8 Aug. 1866, 3; 1 Oct. 1866, 3; on Cursondase Madhowdass: *ibid.*, 31 May 1866, 3.

⁸⁶ Christine Dobbin, p. 156.

⁸⁷ H.D. Darukhanawala, p. 430.

⁸⁸ For instance, Morarjee Goculdass, who had been one of Bombay's leading piecegoods merchants, purchased the George the Third Jute and Wool Mill Co. which he converted into a cotton Mill: *Times of India*, 18 Oct. 1880, 2.

⁸⁹ D.E. Wacha, *A Financial Chapter in the History of Bombay City* (Bombay, 1910), p. 219.

creditor, can mislead the reader, for when all the accounts were ultimately settled a handful of Bombay firms clearly emerged as creditors.⁹⁰ Nevertheless, the 'Share Mania' had important repercussions on the export trade because it eliminated, with few exceptions, the large-scale Indian shipper.

CONCLUSION

The eclipse of the Indian merchants as the owners of Bombay's raw cotton export crop can be attributed to many overlapping factors. Some business houses were ruined by the financial crisis of the mid-1860s. Those firms which remained, or re-established themselves after clearance by the Insolvency Court,⁹¹ shifted their interest from long distance overseas trade to the commerce of the interior and the promotion of nascent industries. But it would be inaccurate to assume that these adjustments were made in a smooth or voluntary fashion. Technological innovation, a catalyst of changes in this era, was not always ethnically neutral in its effect. In theory all the merchants of Bombay city should have benefited from the introduction of the railway, but in practice the evidence clearly shows how the railway promoted, to the detriment of the Indian shipper and importer, the designs of foreign firms. In a similar way, the complexion of the international environment from the mid-1860s onwards favoured the large-scale European firm. But of course, we need to know much more about the experience of individual

⁹⁰ For example, creditors like Jivraj Balloo had to write off a large proportion of their loans as bad debts. But judging from the reports in the Bombay newspapers this firm, like a number of others, recovered a good percentage of their outstanding loans and was therefore in an enviable position compared to the plight of many business houses; *Times of India*, 2 June 1866, 2; 22 May 1866, 3.

⁹¹ For example, in late 1867 S.P. Framjee applied to the Court for permission to commence trading (*Times of India*, 12 Aug. 1867, 3). However, it is very difficult to trace the career of most firms which went bankrupt but eventually recommenced business. The names of the firms were changed, different partners joined and new capital was absorbed.

European and Indian firms before the evidence on this point can be accepted as conclusive.

The question, to which there is no immediate or simple answer, is whether the transformation described in this paper was beneficial to the development of Bombay—or more generally India. It is tempting to argue that it was more important for Indian capital to develop indigenous industries capable of generating employment and technological change in new directions. But the contribution which foreign trade is capable of making to a country's economic development should not be underrated. Can it be that the "engine of growth"⁹² was not beating audibly in the Indian environment of the last quarter of the nineteenth century because the country's export crops, especially raw cotton, were the property of foreign firms?

⁹² W. Arthur Lewis, *Aspects of Tropical Trade 1883–1965: Wicksell Lectures 1969* (Stockholm, 1969), p. 10. Also see his *Tropical Development, 1880–1963, Studies in Economic Progress* (London, 1970), edited by W. Arthur Lewis.

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