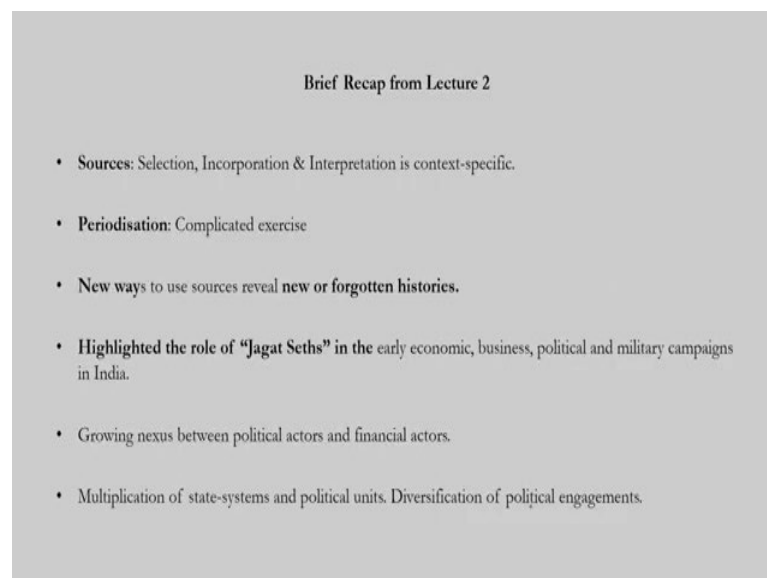


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**Lecture - 03**  
**The East India Company's Early Ventures in India, 1700/1750-1800/1850 c**

Hello and welcome to Indian Business History, this is an online course presented by NPTEL. I am Dr. Vipul Dutta. This is lecture 3 and the title of this lecture is The East India Company's Early Ventures in India from roughly 1700s till about 1800s.

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Brief Recap from Lecture 2

- Sources: Selection, Incorporation & Interpretation is context-specific.
- Periodisation: Complicated exercise
- New ways to use sources reveal new or forgotten histories.
- Highlighted the role of "Jagat Seths" in the early economic, business, political and military campaigns in India.
- Growing nexus between political actors and financial actors.
- Multiplication of state-systems and political units. Diversification of political engagements.

Before beginning I want to offer you brief recap of what was discussed in the previous lecture, which was lecture number 2. So, we began in the previous lecture which is general discussion of the sources or the raw material that is used to write and understand history. We discussed that the selection, incorporation and interpretation of the sources is context specific. At any given period of time, a given source or a raw material that is used to reconstruct events of the past will be studied and interpreted differently by any two given historians, who also will be affected by the space and time in which they are located.

We also discussed that there are various kinds of sources used for the reconstruction of events of past. These could be a textual or written sources; they are also oral history sources. As far as archaeological artifacts are concerned, those kinds of sources will be

used by historians or archaeologists who are interested in a particular period of history that they want to investigate. So, a wide variety of sources exists that give rise to newer histories or reinterpretations of given histories.

In addition to sources, we also discussed the complicated nature of periodization. Periodization broadly refers to the attempts of demarcating one phase of history from the other, and also trying to categorize history into different categories like ancient, medieval or modern history. This exercise is fraught with complications because history does not move in a linear fashion. Events can get replicated and give rise to similar currents or similar circumstances which took place in the past.

So, a more wholesome and more analytical attempt to understand the social, cultural, economic forces that shape history can be studied through an examination of the wide expanse of history in which it is shaped. So, we can take decades together or even centuries together to understand in an economic situation or an economic process without necessarily categorizing it into modern, medieval or early modern categories.

Periodization, like the selection in interpretation of sources, is also context specific. It is dependent on the historian and it is also dependent on the context of time and space in which the historian is also located. So, similar debates and discussions have taken place, as far as sources in periodization is concerned, and both of these taken together, can give rise to newer methodologies or reinterpret existing methodologies to study events of the past. New ways to use sources were also reveal newer histories and newer histories can often highlight the role of forgotten actors in those historical processes.

So, while we were discussing themes in the previous lecture, one example that I used to illustrate how newer histories highlighting a role of forgotten actors, is the role played by the Jagat Seths, roughly translatable as bankers to the world or bankers of the world. These were the earliest banking or trading communities to have emerged in India in the early 18th and 19th centuries. And they were very important and influential in the manner of their operations and the services that they rendered to the regional kingdoms in this period.

The historical role played by the Jagat Seths is facing renewed attention or attracting renewed interest from historians today. This is made possible by the availability of a wide range of newer sources and source material available to historians interested in

investigating the period of this history. Therefore, the newer books or articles being written on Jagat Seths is actually a function of the availability of a wide variety of unnoticed data that is now available to historians.

While highlighting the role of the Jagat Seths, we also delineated certain early economic, business, political and military campaigns of Indian history in this period. These economics, social and political forces were shaped by the economic influence in prestige that the Jagat Seths enjoyed in this period. And they were also responsible in cultivating some early institutional relationships with not just the regional kingdoms, but also the edifice of the East India Company, as it was trying to become financially most stronger in the subcontinent at this time.

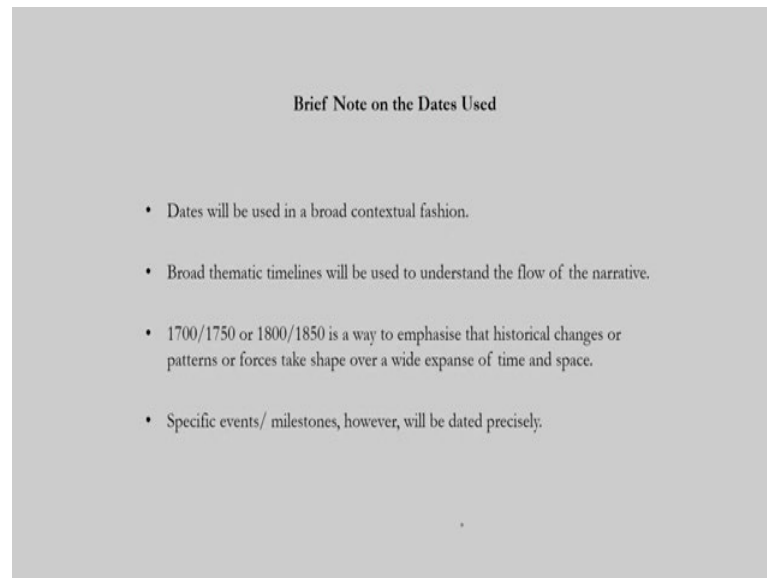
So, the overarching theme of the previous lecture was this growing nexus between political actors and financial actors, this was the key theme that we discussed in the previous lecture. And while discussing this growing nexus between finance and politics; we also witnessed the multiplication of state systems and political units in the Indian subcontinent. This multiplication of state systems and political units was also accompanied by a diversification of political engagement.

So, while the larger theme of this period in Indian history was the breakdown of the Mughal political system and the fragmentation of the Mughal economy. It was also accompanied by a fantastic rise of the regional kingdoms, the consolidation of their politics and cultural practices. The economic consolidation is of special interest to us and we will discuss this in subsequent weeks also. But their economic safeguarding, so to speak, was done by the services rendered by the Jagat Seths and other such communities in Bengal, Bihar and in Deccan India.

So, the multiplication of state system was not just the rise of the regional powers, it was also the rise and consolidation of the East India Company as a European trading force with interest in the Indian markets. The diversification of political engagements therefore, just does not refer to the engagements between the Mughals and the regional kingdoms; but it also refers to the multiple, political, economic and social and institutional relations that were forged between the regional kingdoms and the Jagat Seths, and also subsequently the Jagat Seths and the East India Company.

Towards the end of the 18th century and by the middle of the 19th century, Jagat Seths had managed to forge important links between themselves and the rising economic power of the East India Company.

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I also want to take some time to explain what is the precise use of dates in this course and why certain dates are used in a particular way. If you have noticed the title of this lecture, it is called the East India Company's early ventures in India from 1700/1750 till 1800/1850 circa.

Now, the reason why I have used dates in this fashion in this particular lecture, and which also will be a running theme throughout this course is to give you a glimpse into the broad contextual fashion in which Indian history today is written about. This is true not just of Indian history, but also generally in the practice of history writing that we study precise economic, social and cultural forces based on the wider time and location in which those forces take shape.

So, broad thematic timelines will be used to understand the flow of narrative; however, using years as 1700/1750 or some such similar examples that I will use in the course of these lectures is not to specify a particular year in that title. But if you can given/take 5 to 10 years here or there, or a decade this side or decade that side that is what we are trying to arrive at. A broad contextual theme will be emphasized upon and also we will try to emphasize the fact that historical forces, social forces, economic forces are not generated

overnight or in a matter of hours or minutes. Decades can go by before an event or a process and its historical importance can be studied or even noticed by historians.

So, the basic theme of periodization in this course if you like, is to offer broad thematic timelines; but not focus too much in it, which in any case is a misconception in history where students feel that history is only about memorizing dates and events. To an extent, that is central to history writing in history learning; but the theme of this course which is Indian business history, as we discussed in the past, cannot be subjugated to frozen timelines. Events, of course they take place in a particular year or in the course of decades, yet their true historical importance and their intellectual analysis can only take place through a broad contextual framework.

So, 1700/1750 or 1800/1850 or any other examples that you may encounter in the books or even in these lectures, is a way to emphasize that historical changes, or patterns, or forces that take shape over a wide expanse of time and space are critical to understanding the longer term view that history takes. Historians today engaged in reconstructing the events of the past are interested not just in specific events or episodes of conflict or warfare, but they are interested in the larger energies that radiate out from those conflicts or episodes in order to understand the general character of a given decade or a century.

However certain specific events or milestones will of course be dated precisely. There are certain events in India's history that are of critical importance for us to analyze the general flow of the history of this period. So, certain events that you ought to remember and memorize will of course be highlighted in these lectures, but the broad theme or the emphasis on these lectures will be for you to understand and familiarize yourself with the broad context and the sweep of history that is taken place in the past centuries or so.

But of course, certain events like Independence of India or the first revolt of independence, these are landmark events in the history of India. So, these events will of course have to be remembered and precise dates will have to be mentioned.

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"Company Rule" in India: Some Fundamental Questions

- What conditions led to the rising power of EIC? Economic, Political, Socio-Cultural
- What were the business interests of EIC? Banking, Finance, Political interests
- What impact did it have on Indian businesses? Growth or Decline?
- How did EIC transform Indian political & commercial life? Urbanisation, New forms of political and social formations

The years from 1750 to 1850 or 1700 to 1800 is roughly that 100 year period that is now commonly referred to as Company Rule in India. The word company rule or the phrase company rule refers to the rule of administration and the systems instituted by the East India Company in their governance of the East of the Indian subcontinent. Therefore, company rule broadly today corresponds with a 100 year period that is book ended by the year 1700 and 1800 or 1750 and 1850.

The general theme of these lecture as well as the next, will be the broad institutional impact of the East India Company on the institutions that existed in the Indian subcontinent. Now, when we commence a discussion of the impact, the causes and the consequences of company rule in India, there are four or five fundamental themes that you have to keep in mind and these themes will also guide the course of our online lectures concerning this theme. The first condition or the first element in this discussion will be an examination of the conditions that led to the rise in power of the East India Company.

East India Company can also be abbreviated to EIC and this abbreviation I will commonly use throughout this lectures. When examining the conditions that led to the rising power of the East India Company, we will look at the economic, political and socio-cultural conditions that existed in the Indian subcontinent that paved the way for

the greater consolidation of the East India Company's mercantilist, political and later military power in the Indian subcontinent.

Then more precisely, we will also be interested in discussing the business interest of the East India Company. So, we will be looking at the processes of banking, finance and other political interests that the East India Company demonstrated in its early ventures in the Indian subcontinent. The East India Company was formed in 1600; yet it took about a century or so, for it to be recognized as a military force in the Indian subcontinent. It took about 100 to 150 years for this trading company to establish administrative, political control on the Indian subcontinent.

So, we will examine the structural factors, the economic factors and the social political forces that shaped the destiny of this European trading firm; which has changed the course of Indian history ever since. Then crucially, we will also study the impact that the East India Company had on Indian businesses. We will discuss whether the Indian economy grew or declined during this period, we will discuss certain international events that shaped the forces of Indian history at this point, certain technological innovations, certain economic innovations, certain new structures that governed the terms of the international economy in this period had a decisive impact on the ways in which the Indian economy responded to those events.

So, the impact that the East India Company or Company Rule more largely had on Indian business was diverse and it consists of a wide array of factors that we will take into account as this lecture progresses. Finally we will also discuss the ways in which the East India Company transformed Indian political and commercial life. This will necessarily involve a discussion of urbanization and the examination of the factors that led to the emergence of the city of Bombay and Calcutta, which later gave rise to the Bombay presidencies and Bengal presidencies; which became the bulwark of the colonial enterprise in India.

And alongside the discussion of urbanization, we will also discuss certain new forms of political and social formations that came up in response to the presence of the East India Company in the Indian subcontinent. So, as you may have noticed, Indian business history is not just a collection of economic questions and economic debates and theories; it actually has to be studied in the larger context of the political and social forces that

have shaped Indian history in its totality. Indian business history cannot be studied without urbanization, nor cannot be it studied without the attendant forms of political and social organization that came up in the wake of the engagement of the East India Company with existing political units in the Indian subcontinent.

So, when we discuss the diversification of state systems in India and the multiplication of political relationships, this is exactly what we are referring to; which is a rise, emergence, expansion and also contraction of different political authorities in the Indian subcontinent. And the parallel rise and expansion of certain other political relationships that gave a distinct character to the Indian history of this period. So, these are some of the four or five themes that we will cover in this lecture; but these four or five themes will also be critical for our next lecture in this online course.

So, while preparing for this theme, please keep in mind these four elements that are of critical importance in studying this 100 year period of Indian history roughly from 1700s till about 1800s. It consists not just of economic theories and models which we will of course discuss; but this 100 year period is crucial to understanding the next phase of the development of the Indian way of life in this subcontinent. We will discuss the rise in emergence of cities and we will also discuss how new business relationships were formed and how those economic relationships gave rise to a newer set of political relationships in the Indian subcontinent.

So, be sensitive to the interconnected nature of history and also be sensitive to the new sources, the new timelines and the new forces that give rise to another set of more complicated events that make the study of Indian business history that much more fascinating.



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**Rise of a foreign mercantile power in India**

- **1600:** Royal Charter granted to East India Company
- Rise EIC's commercial strength = Industrial Revolution in Britain.
  - Mass produced goods
  - Advent of Machine based production
  - Steam/ Coal Powered technology
- Emergence of Factory system in Britain, **1750s onwards**
- Need for new markets. Asia, Africa were colonised.
- Industries targeted by the Industrial Revolution: Cotton
- Massive increase in processed cotton export to India, 1850s : Deindustrialisation

• Reading Suggestion:

- **William Dalrymple's books** "The White Mughals" & "The Anarchy"

The rise of a foreign mercantile power in India was an unprecedented event. India had been used to the political dispensation of the Mughal Empire and its subsequent fragmentation was met with a rise in consolidation of regional powers in India. But the advent of the East India Company is a significant mile stone in Indian history; because it is the first European trading firm to have established not just an economic relationship with this subcontinent, but also manage to forge a 200 year old political relationship with the subcontinent.

It was not just a trading firm of petty businessman from Britain. It went on to graduate into this massive political machine that administered justice, instituted new forms of governance, made electoral democracy a new concept in the Indian subcontinent. And, all these while it continued on it is exploitative role in exploiting India's local economic resources for it is own benefit.

So, the advent of the East India Company in the destiny of the Indian subcontinent changed its history forever. The economic relationships it introduced and instituted gave a distinctive flavor to the indigenous banking operations and commercial enterprises that existed in the subcontinent at this point. Just to give you more chronological view of what the East India Company was doing when it ventured out into foreign Asian and African markets; in the year 1600 a royal charter was granted to the East India Company to conduct overseas trading operations and mercantile operations

and also commercial operations. So, it acted as a legal document or a state back document that gave the license to the East India Company to engage in business or economic related activities of Non-British markets.

So, the early maritime operations of the East India Company which allowed British ships or British traders or ambassadors to pay their obeisance at the Mughal court was made possible by the quasi legal state back document or a Royal Charter that was granted to the East India Company in the year 1600. It is fair to say that, the rise of the East India Company was made possible by the industrial revolution in Britain at this point. What is the industrial revolution?

Well, it is not a single set of events or not is there a single date through which we can chart its historical evolution. But the industrial revolution in Britain today roughly signifies a set of events or technological innovations which made possible a mass production of goods and commodities in Britain for retail not just within Britain, but across the world.

So, industrial revolution in Britain was essentially about the large scale production of commodities and objects for sale. There were also certain other elements associated with the industrial revolution. And the second element that you have to keep in my mind while discussing or studying the industrial revolution in Britain is the advent of machine based production. Most of the goods or commodities being produced in Britain during this time were either produced by a machines or only partly manufactured by hands.

So, the distinctive feature of the industrial revolution which separates this phase from earlier periods in British history or a European history is the greater inclusion of machines in the production of goods and commodities. So, there began a gradual replacement of human labor with the labor of the machines. This was by no means wholesome replacement of human labor with machines and technological innovations; but technology had started to play an important role in the production and manufacturing processes in the British economy.

This technology was also backed by steam power or coal power. So, the industrial revolution in Britain was essentially a revolution in the technological processes that governed the processes of manufacturing and industrialization; and this technology was based quite substantially on the power derived from steam or coal. So, in addition to

large scale production of goods and commodities that for being sold often in markets as far as China and India, there is also the remarkable advent of the use of science and technology based goods and services in this period.

In addition to the use of technology and the mass base production of goods and commodities; industrial revolution is also a system of the factory based production of goods in Britain at this point. So, rudimentary, assembly lines or the organization of labor force into coherent, timetables, organizing labor schedules, organizing their production cycles, giving them a salary, at the end of days work, the wage system, the labor system all of those modern phenomena that we take for granted or we associated largely today with industrial output of manufacturing was something that was introduced to Britain from the 1750s and onwards.

So, industrial revolution, on one hand, is about a revolution in economic processes and systems; yet on a human level at a more institutional level, industrial revolution also refers to the ways and strategies in which human beings were coordinated or systematically organized to maximize their potential in the manufacturing of more goods and commodities for sale in domestic and foreign markets. So, the whole idea of labor welfare, the rights associated with labor working in factories or industries is also something that takes off once the industrial revolution takes a firm hold in the British economy.

So, the advent of labor unions, their campaigns for greater working rights, campaigns for safer working conditions, the discouragement of children working in factories and industries was something that began once factory systems became more familiar in Britain. The full horrors of the industrial processes in Britain made the subsequent fight for labor reform and the campaigns for safer working conditions possible.

The industrial revolution of course, was a system in which goods were produced in ever increasing quantities. Yet there were also a search for newer markets in Asia and Africa in this point. Because there was a surplus of mass produced goods and commodities in Britain; there was obviously a need for lucrative markets that, could absorb this massive production of these objects and commodities emanating out to Britain.

So, the economies of Asia, including India and China, and the economies in various parts of Africa became the natural outputs for absorbing the goods of the industrial revolution

in Britain. So, the earliest dynamic that drove the agenda of colonialism forward was basically the mass production of goods in Europe and the subsequent need and desire to have a market to sell those goods. This underlying economic principle was what gave rise to maritime ventures of companies like the East India Company to try and find new routes into the Indian subcontinent, and try and find a firm footing in their various lucrative markets where in a gap could be found and a subsequent clientele could be earned and cultivated for observing British goods.

One of the foremost industries that were targeted by the industrial revolution was the cotton industry. So, the processing of raw cotton and its transformation into pieces of textile, cotton piece goods or cloths was one of the earliest visible examples of the revolution that is brought about by technology and working labor into this manufacturing system.

So, the greater concentration of technology, the greater systematic organization of labor into manufacturing processes was first put into effect in industries such as the cotton industry. It also had massive economic and political consequences for India and this is something that we will discuss subsequently in this lecture. But massive increase in processed cotton export to India from Britain in the 1850s also led to the industrialization.

So, in this 100 year period, while 1700 or the years around 1700 mark the arrival and greater consolidation of the East India Company in the affairs of the Indian subcontinent; 100 years later, we see the greater absorption of the East India Company into the Indian economy. And the full political, social and cultural consequences of the industrial revolution witnessed in Britain had its full effect in the state of the Indian economy, where machine made cheaper goods from Britain were found to be more appealing in the Indian markets which; obviously, led to deindustrialization and the dispossession of labor and the market value of Indian produced goods.

Because goods produced in Britain were cheaper, were produced in mass based quantities and were also perhaps in certain sectors technologically superior this; obviously, was a technological challenge to the ways and lives that the economic system in India had produced. So, 1700s to 1800s is roughly a clash of not just political systems, it is also a clash of different economic systems; different economic styles of

manufacturing and processing. And in this clash of economic structures and economic institutions; one party enriched itself which is the East India Company.

So, by virtue of its technological progress and its industrial might, it was able to dump its goods in the Indian market; but the other party in this equation which is Indian traders, Indian viewers, Indian businessmen and Indian manufacturers lost out gradually starting from the 1750s onwards. So, the common tropes that we associate with colonial history today which is exploitation, plunder and loot of Indian resources is actually a discourse that begins from the 1750s onwards; where it is perceived that a new economic situation is emerging in Britain and its full consequences are being felt on territories such as the Indian subcontinent, China and parts of Africa.

In order to get a more popular perception of the economic situation as it persisted in these 100 years; in addition to the bibliography that I outlined during the beginning of this course, you may also want to take down in other reading suggestions. And these are the books and the largest scholarship produced by the author William Dalrymple and his two books are particularly notable for this period; the first is *The White Mughals* and the second is his latest book *The Anarchy*.

These are books based largely on the history of the Indian subcontinent in this period and it details in a very interesting manner, the forces that shaped Indian business history in this period. And it also presents an account of the economic, political and cultural conditions that existed in the Indian subcontinent that made the rise of the East India Company possible. So, if you are looking for a more popular understanding of the economic situation of this period please do have a look at these books.

Now, I want to spend some time on delineating the specific business interests of the East India Company during this period. Today we know the East India Company as a historical trading organization which prosecuted massive trading operations ranging from India to China and from the East Indies to even America. But, what were its specific business interests and what were the commodities that first sparked an interest in Britain to try and venture out into the far-off Asian and African markets is something that I want to discuss right now.

The East India Company ever since it was founded and in the 1600s had a distinctive agenda or a priority in trying to maximize its potential in the lucrative spices trade of the East

Asia. So East India Company traded in spices and precious stones and metals and dyes. So, these were the mainly lucrative commodities that the East India Company was interested in trading and transferring from one regional space to the other. So, the lucrative immensely influential trade of Southeast Asia, the East Indies they were known before and also parts of India and China were precise the commodities that first got the East India Company attracted to this part of the world.

From India, the East India Company mainly export raw cotton and also indigo which is used in the coloring of textiles. So, while the industrial revolution in Britain was first noticed in a more dramatic fashion in the cotton based industries. Certain associated industries also took off as the result of the greater economic interest that the East India Company enjoyed in the sale, retail and the transfer of commodities like indigo and raw cotton. So, while the spice trade and the trade in precious stones and metals was limited majorly to South East Asian regions, with a part of that trade passing through Indian territory, from the Indian subcontinent itself, the East India Company initially exported huge amounts of raw cotton and indigo.

As a result of greater European interest in the sale and transfer of cotton and indigo from India, there arrows parallel economy in the production of cotton and indigo themselves. So, the plantations of indigo and the plantations of cotton became familiar site in the Indian subcontinent at this point. So, just as there was an industrial revolution taking place in Britain, which not just brought technology in people together; but also resulted in a new economic system for themselves. In India the greater attention focused on cotton and indigo, also gave rise to in economy; and systems of economic control and regulation that the subcontinent was perhaps not familiar with before on such a large scale.

So, the obvious reality of trade and transfer of commodities such as spices, cotton and indigo had wide ranging consequences on the ways in which economic systems came to be regulated and instituted in Asia, Africa and also in Britain. So, Indian business history or any other business history of this period, as I have repeated in the past, will not just give you an idea of who was interested in what or what trading relationships were founded in this period; it will also give you a glimpse of the ways in which new political systems and social and cultural values which generated out of these greater economic interactions.

After the development of industries in Britain and what is called the industrial revolution in Britain; machine made goods began to be exported in greater a numbers to the Indian subcontinent. The obvious consequence of greater dumping of those machine made goods into Indian markets was the gradual, but study losing out of the British textile market that Indian handicrafts and Indian textiles had enjoyed abroad.

India, as we began our initial discussions, was known for limited industrial capacities by it was famed all over the world for the fine quality of its cloth and textiles that had a market in Europe and other parts of the world. With a gradual consolidation of the relationship between the East India Company and Indian markets the consequence of that, gradual solidification of that relationship was the gradual losing out of the overseas market that Indian traders had enjoyed for sometime in the past.

There was also gradual transformation of the economic relationship between India and Britain in this period. So, while India in the earlier decades was responsible in exporting high quality cloth and textiles to Europe and other parts of the world; after the 1750s we see a gradual turning away from that dynamic. So, from initially being an exporter of a finished goods, India by the 1850s ends up as not just the colony of the British empire; but also region primarily associated with exporting only raw materials and goods to Europe and Britain.

So, this transformation that occurs in India's export potential and the change of character of the Indian economy is a fundamental subset of the business history of this period. The international event that catalyzes this transformation is of course, the industrial revolution. But also knew a tariff regimes that blocks overseas markets for Indian traders and businessman; and the gradual, but study dumping of machine made cheaper goods into Indian markets, fundamentally alters the terms of trade between Britain and India in this period.

So, 1700s to 1800s or roughly 1750s to 1850s is that critical time in India's history which alters India's economic profile and its export potential for overseas markets. It is started out as an exporter of fine quality finish goods; but 100 years later during 1850s we find that India is reduced to this status of exporting only raw materials which would then be subsequently processed, manufactured and then ultimately sold back to the same markets from where those raw materials arose.

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**EIC's Business Interests**

- Traded in Spices, Saltpetre, Precious stones & metals, Dyes etc: **Mainly from Southeast Asia**
- From India: Mainly **raw Cotton**, Indigo exported.
- **After Development of Industries in Britain:**
  - "Machine made goods" exported to India
  - India gradually loses out British textile markets
  - Exports mainly "raw materials" to Britain
- **China Market:**
  - EIC exports Opium (illegally; smuggling) from India
  - Buys Chinese tea for export to Britain, Europe, North America
  - **Opium Wars (1839-42 ; 1856-1860)**
  - **1<sup>st</sup> Indian Revolt for Independence: 1857**
- Britain, EIC save on precious metal reserves through international business operations.
- Gradual decimation of silver, money reserves of India, China

I want to spend some time on the China market also, because Indian business history cannot be fully understood without taking into account the factors and events that were taken place in China in this period. So, while the East India Company was expanding its colonial control over the Indian subcontinent, it is trying to subjugate its existing institutions to the profit motive of the East India Company. Something similar was also happening in China. The East India Company at this point was mainly invested in the export of opium from India to China.

This earliest opium trade between Britain, India and China was illegal in character and in modern terms can be termed as smuggling of opium from India to the China. So, the primary commodity with the East India Company was interested as far as China as concerned at this point was, the cultivation of opium in India, its harvesting and ultimate sale into the Chinese market. The opium trade even though it is illegal was highly lucrative for the East India Company; there was a massive amount of money to be made from this illicit trade, its obvious human cost was greater addiction to this noxious substance.

So, the opium wars that were fought between 1839 to 42 and 1856 to 1860 were mainly on the illicit character and the destructive impact it had on the Chinese way of life as a result of greater sale of opium into the Chinese market. The massive returns that were to be had from the opium sale and trade in China, was also responsible for the generation of



great amounts of surplus and revenue for the East India Company at this point. And the huge amounts of income that the East India Company earned through the sale and transfer of opium to the Chinese market, was also responsible for them to buy the massive quantities of tea that were also being produced in China at this point.

So, the second commodity of interest as far as the Chinese economy is concerned was the production, cultivation and its enormous appeal for markets in America and Europe for tea. This was a beverage that was consumed in China through past decades and centuries, but it was only recently discovered by the businessmen, officials and traders of the East India Company. So, the money or income or revenue earned by the sale of opium in China was used to buy huge stocks of teas cultivated in China and its ultimate sale in European and American markets for even more profits and revenue.

So, this triangular trade between the East India Company, India and China started on an illicit note which is the illegal cultivation and dumping of opium in the Chinese market. Yet the secondary, tertiary character of this triangular trade was immensely resourceful and highly lucrative for the fortunes of the East India Company in this period. Chinese resistance to the greater sale of opium and its destructive impact on Chinese people was also responsible for successive conflicts between Britain and China. And the defeat of China at the hands of the East India Company and the larger British maritime force was responsible for the opening up of the Chinese markets by force and for British-made goods.

So, the opening up of the Chinese economy; just at the time that India was also becoming intimately a part of this maritime empire that Britain was trying to forge around the world, was part of the global phenomena in which newer markets were being searched frantically for machine-made goods or other illicit goods being produced in colonies such as India. While the second opium war was taking place in China which was basically Chinese resistance towards the illicit trade that the East India Company was imposing on Chinese people and earning massive revenues out of it, India also witnessed its first revolt of Indian independence in 1857.

This was the first violent armed conflict or a resistance movement against the policies of the East India Company; its discriminatory practices in recruitment or the treatment of Indian people at this point. So, in 1857 the first armed resistance to the rule of the East

India Company by members of their own army is seen as landmark event in the history of this period.

So, while there is conflict going on between the East India Company and China on economic issues, on illegal terms of trade and negotiations; a more political, strident and violent resistant movement took place in India that change the history of Indian events forever. This triangular trade served definite economic purpose for Britain in this point. So, even though they were getting broke down by conflicts in China or in parts of India; the consistent use of triangular trading patterns by the East India Company in this part of the world was also successful based this model that they employed early on.

This was also to be replicated across different sectors with different commodities in question; but the earliest example of a triangular successful trading of business operation conducted by the East India Company was basically the one in which they cultivated opium in India, sold it in China and the money that they earned through that opium trade was used by immense reserves of tea for further sale in the lucrative markets of America and Europe.

So, overall a massive return on their initial investment and the massive profits that they enjoyed from the tea trade in Europe and America made the East India Company a force to reckon with as far as economic operations that concerned of this period. One obvious advantage that the East India Company enjoyed in this period was that through these triangular trading patterns, the East India Company was able to save on precious metal reserves through these operations, which they were otherwise losing in the early years of the 18th century.

So, very little amount of British silver or British currency reserves were used in these trading operations. Mainly Indian resources were used, whether it is the cultivation of opium or whether it is the cultivation of indigo or raw cotton. Mostly Indian resources, Indian labor and Indian capital was used. It was processed and sold in foreign markets like China. And the money used in those operations was used by existing Chinese goods and the sale of those Chinese goods in foreign markets of Europe and Africa and America allowed the East India Company to earn massive amounts of revenue through these trading operations.

So, very little of domestic British capital was used in the prosecution of these international business arrangements. Mainly local regional capital was used, local human labor was used in these trades and businesses; which allowed for the critical accumulation of British capital within Britain and it also prevented the flight of semi-precious currency or bullion from Britain to other colonies.

So, the whole trend of economic operations that existed in the 14th, 15th and 16th centuries was now reversed dramatically in a span of just 100 years. Just as India had transformed from being an exporter of fine processed goods to an exporter of raw material, the whole economic equation had also changed that, now governed the principles of economic trade and international exchange agreements in a very different fashion.

As a result of Britain preventing the flight of capital from within its own country and using existing local resources; there was a parallel gradual decimation of silver and other money reserves in India and China. So, the greater accumulation and organization of labor and capital in order to produce raw materials that were in great demand in Western European markets was basically a gradual decimation of Indian capital or Chinese capital and its subsequent transfer and accumulation in Western markets, chiefly the British market.

So, the whole economic scenario that typified the economic history of the 14th and 15th centuries where the Indian empires and Chinese empires were known globally for their wealth and prosperity was now changing for the worse. The East India Company was becoming a new master in the landscape of Indian businesses and economy; it was accumulating Indian capital on a greater scale; and the accumulation of greater British capital within Britain and the reaping of profits in a greater scale by the East India Company meant essentially that the other parties in this equation were gradually losing out on incomes, revenue, profit, markets, goods and other related services. So, the tables had turned in this 100 year period where European trading firm initially interested only in economic affairs, gradually on the basis of its economic strength starts transforming itself into a political, social and cultural machine.

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Year	Event
1757	24 Parganas of the Sundarbans
1760	Northern Circars
1765	Bengal and Murshidabad (and Bihar): Revenue Collection Rights
1773	Banares
1775	Ghazipur
1795	Hyderabad
1799	Fall of Mysore
1801	Carnatic, Junagadh, and Rohilkhand
1803	Bhawalpur
1814	Kumaon, East Sikkim
1817	Rajputana
1818	Singapore founded
1826	Assam, Manipur, Arakan
1834	Coorg
1839	Aden (Yemen)
1846	Kashmir
1854	Nagpur, Jhansi
1856	Awadh
1857	Revolt for Independence

I want to offer a brief timeline of this period, just give you a glimpse into the ways in which the East India Company gradually expanded its control in the Indian subcontinent in this period. So, its first political accusations in the Indian subcontinent began from the mid 18th century. So, 1757 is that period where the East India Company attracted by the massive influential prestige of the areas in Bengal setup their trading post and entered into formal or informal political negotiations with regional kingdoms and also cultivate early political relationships with the Jagat Seths in this period.

So, the concentration of different political actors in Bengal in this period, also lead to the greater consolidation of the political authority of the East India Company at this point. The landmark event at this point is 1765 when the East India Company wins the revenue collection rights of the Bengal and Murshidabad areas in the Indian subcontinent. This was the first time that collection of European traders and businessman backed by a Royal Charter were offered to collect revenue from this very rich and prosperous area.

So, 1765 is the tipping point where the political star of the East India Company is rising upwards and onwards. And it is from this period onwards that many historians chart the formal political inclusion of the East India Company and its integration into Indian affairs more closely. From 1773 onwards the East India Company starts moving westwards in it is colonization campaigns. So, in 1795 the East India Company establishes informal control over Hyderabad. The Nizam of Hyderabad continues as the

formal ruler of this state. Yet the forces of the East India Company get integrated into the military system of Hyderabad. They forge different alliances through which they become either equal or subordinate partners in the governance of these regions.

And by 1801 you have the Carnatic wars taking place between the East India Company and the various South Indian regional principalities of this period. So, through the help of Jagat Seths, through the help of their own maritime power and through their own reserves of currencies, the East India Company is able to mount successful military campaigns against different principalities in this region. So, through a combination of conflict, intrigue, diplomacy or trading concessions, the East India Company is able to expand its hold of the Indian subcontinent at this point.

A variety of strategies are used and not all of them may be used together or all of them may be used together in the case of certain regions. Yet as far as the colonization of India is concerned, as you can see in this timeline; different regions came under the rule of the East India Company or came under this fair of influence through a variety of strategies that the East India Company employed.

In 1818 Singapore was founded; Singapore today is a global hub of finance and manufacturing in services, yet it is only a recent political entity as far as the history of this period is concerned. So, 1818 is the year when Singapore is founded and thus begins its own fascinating history of business and manufacturing and its critical role as acting as a bulwark of the British Empire from this period onwards.

In 1826 North Eastern India is brought under the control of the East India Company. So, the inclusion over Assam, Manipur, Arakan which is now formally in Burma become part of the East India Company's enterprise in the Indian subcontinent. The cultivation of tea also begins roughly in this period in Assam and the loss of the Chinese market after the nineteenth century is replaced by the increase cultivation of tea in India's North Eastern regions which continuous to this day.

After the founding of Singapore in 1818; in 1839 the East India Company or the British military forces in general establish control over Aden, which becomes an important port city for British ships transiting through this area or British ships coming to in flow from India or other South Eastern Asian regions. So, the international character of Aden as a port city is highlighted, just to give you a glimpse of the international character of the

East India Company in this period. 1846 is when Kashmir is also brought under control of the East India Company; and in 1854 you have Nagpur, Jhansi followed by Awadh in 1856 which come under the control of the East India Company.

Finally, in 1857 once this roughly 100 year period of colonization is complete, is when you witness the first armed resistance against colonial rule; and members of the British Indian army themselves take up arms and rise in revolt against the colonial masters. So, what began as their first initial engagement in the region prosperous economies of Bengal, ended up a 100 years later as the formal establishment of British authority into the Indian subcontinent.

So, the reason is to via outlines this timeline, is to give you an idea of the long term view of history and the gradual way, the roughly 100 year period in which the East India Company transformed itself from mainly an economic organization into the political masters of the Indian subcontinent at this period. Different strategies were used for the consolidation of India for the economic purposes of the East India Company. So, military policies, warfare, conflict or interested diplomacy was often used to try and convince regional kingdoms or regional principalities to either merge with the East India Company come under its rule or to allow East India Company to have some say in their internal matters.

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If you pay attention closely to this map which is being taken from the public domain, you will see the gradual expansion of colonial authority into the Indian subcontinent. This present map in front of you, charts the consolidation of the British East India Company roughly from 1765 till about 1805. 1765 is that pivotal movement, as I said, where revenue collection rights were first awarded to the East India Company. The Bengal area was one of the most prosperous and richest areas in the Indian subcontinent and it is revenue rights being transfer to an economic cooperation from Europe was a path prettying event in India's business history.

By 1805 which is roughly 40 to 50 years after 1765, you see the coastal expansion of East India Companies cloud, rule or influence across the Indian subcontinent. One stream of the East India Company is moving south towards the Carnatic, and one stream of the East India Company is moving northwards towards the Indo-Gangetic plain where it is presence could be felt in the shaded pink areas in this map.

So, while the early part of the nineteen century was an era of the colonial expansion of the East India Company across port cities or across riverine trading channels through the indo gangetic plain. By the mid nineteen century, you see a pretty different map of the Indian subcontinent. So, from 1837 you see a greater westward expansion of the East India Company as far as the Indian subcontinent is concerned. So, the indo gangetic plain or it is prosperous riverine tracks are formally under the East India Company orbit.

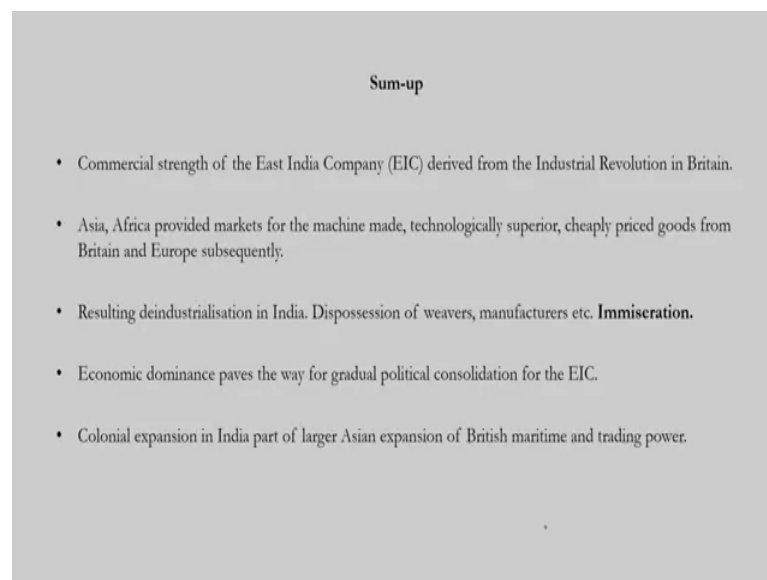
But the East India Company is moving ever forward. So, it crosses the indo gangetic plain, it consolidates its hold over southern Indian principalities and then starts moving upwards into the Punjab plains. And in the case of South India, the East India Company starts expanding its hold over the Konkan coast, parts of Saurashtra, Gujarat, Berar, Maharashtra. By 1857 which is when the first revolt of independence takes place; the Indian subcontinent is move firmly under the grasp of the economic machine that is East India Company.

And by 1857 the East India Company is also transforming itself into a political authority of some sorts in the Indian subcontinent. So, while the shaded pink region represents the expansion of colonial power across India. This map also tries to tell you the greater political integration of different state systems into the orbit of the East India Company.

So, company rule, the term with which we began this lecture is basically a story of the gradual economic expansion of the East India Company.

And while that economic expansion is taking place, it is also unleashing political forces in its wake. So, through the use of military conflicts, through the use of military assistance, through the use of different treaties and alliance systems the East India Company is able to bring the entire Indian landscape or the greater part of it under its own economic system. So, the political consolidation of East India Company goes hand in hand with the greater territorial annexation and economic integration of different Indian markets and regions as you can see in these two maps.

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**Sum-up**

- Commercial strength of the East India Company (EIC) derived from the Industrial Revolution in Britain.
- Asia, Africa provided markets for the machine made, technologically superior, cheaply priced goods from Britain and Europe subsequently.
- Resulting deindustrialisation in India. Dispossession of weavers, manufacturers etc. **Immiseration.**
- Economic dominance paves the way for gradual political consolidation for the EIC.
- Colonial expansion in India part of larger Asian expansion of British maritime and trading power.

Just to offer you a brief sum up of what we have discussed today. The first element obviously, as I have tried to highlight in this lecture is the fact that commercial strength of the East India Company or EIC derives in great measure from industrial revolution in Britain. The use of technology and its consequent use in producing mass based goods and commodities for the sale in foreign markets, was the chief source of revenue and profits which made the maritime ventures, the East India Company possible in the early years of the 1700s.

So, the early ventures of the East India Company were primarily made possible through the immense reserves of capital and money that Britain was able to earn through this revolution in manufacturing and industrialization in this period. Of course, the Royal



Charter, that was given to East India Company, acted as a legal quasi state document that made its forays into foreign markets possible. But the larger infrastructural architecture associated with the East India Company and its integration into Asian and African markets was made possible by the immense reserves of capital that the East India Company had riding on its back.

Asia and Africa provided markets for the machine made, technologically superior, cheaply priced goods from Britain and Europe subsequently. So, the availability of India, China, parts of Africa as ready markets for the goods being produced in Europe also changed the history of this period forever. Not all these markets were available readily for merchants of the East India Company. The gradual colonization of the Indian market and Indian territories happened by force. So, the forcible conversion of Indian territories into company rule territories also made available great swaths of Indian territory as markets for European or British goods.

So, not all of this was voluntary; obviously, there was a lot of conflict, a lot of bloodshed in trying to integrate India into the economic system as visualize by the East India Company. But the availability of Asia and Africa as these great continents and spaces where technologically made goods could be dumped or sold was something that turned the fortunes of East India Company around.

As a result of greater dumping of western goods, there was also deindustrialization in India. So, dispossession of weavers and manufacturers was a reality of this 100 year period. India also transformed from supplier of high end goods to a supplier mainly of raw materials, which would be processed and sold back to the same territories from where they was sourced. And this gradual turning of tables as far as the economics of this period is concerned led to a greater process of immiseration.

Immiseration largely refers to economic impoverishment. This was mainly the loss of livelihoods, income and the earning potential of Indian traders and businessman, as a result of different goods available from outside which resulted in loss of that occupations. So, the 100 year period which witness the industrial revolution in Europe was also the period in which a sort of deindustrialization occurred in India.

Also economic dominance paved the way for gradual political consolidation for the East India Company. Greater territorial control and its annexation could not have been

possible had the East India Company, not had accessed to massive reserves of its own capital and its relationships with a Jagat Seths. Military campaigns cost lot of money, equipment, warfare and weaponry can only be had, if there is a reserved source of revenue and income for the parties involved in that conflict.

So, in this 100 year period from 1750 till about 1850, when almost the entire Indian subcontinent is subjugated to company rule, it is possible only because of the limitless sources of funds, revenue and money that the East India Company has in this period. Also colonial expansion in India is part of a larger Asian expansion of British maritime and trading power. The first few British trading ships that talked imports like Surat and what later became Madras was possible only because of the early advances that British navigation and British steam ship navigation had experience in the early years. Technological innovations during the industrial revolution also revolutionized maritime shipping.

So, the early scientific and technological breakthroughs that Western European powers including Britain experienced was responsible for them to have access to the hardware that was critical for engaging in international business operations. So, colonial expansion in India was part of an economic operations; but at a more simplistic level, it was the infrastructural achievements that Europe experienced in the years preceding 1750 that allowed the hard physical labor of subjugating India and China to colonial rule possible.

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In the Next Lecture

- Agency Houses: Jagat Seths, Changes in Patterns of Early Banking Operations in India, 1750-1850 c.
- Economic Dominance of the East India Company

In the next lecture, which is lecture 4, we will continue our discussion of these themes that I have outlined today. And we will also go in greater detail into the precise economic operations of the East India Company in this period. So, we will discuss agency houses, we will discuss how the Jagat Seths and early banking operations in India evolved from 1750 to 1850. And we will also look at how these precise economic models in business operations contributed towards the economic dominants of the East India Company.

So, similar themes will be continued, but we will go into greater details as far as the precise economic operations of the East India Company are concerned in this rough 100 year period.

Thank you.