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**POLITICAL ECONOMY:  
A DISCOURSE OF MASTERY OR AN  
APPARATUS OF DISSENT ?**

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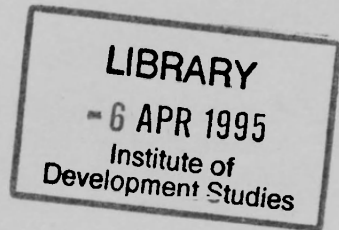
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## **Political economy : a discourse of mastery or an apparatus of dissent ?**

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### **Abstract**

This is an essay at retrieval and reconstruction. It seeks to retrieve a strand of international trade theory which was formulated with stark clarity by Josiah Tucker in the eighteenth century and which has been revived recently by a number of economists. It seeks also to retrieve a dissenting body of thought which emerged as a discourse in political economy and which saw colonialism as a grave infringement against the tenets of a commercial or capitalist society. This dissent is exemplified by the writings of Tucker, Adam Smith, Edmund Burke, Anthony Lambert and Lord Lauderdale. Finally, it seeks to reconstruct the discourse of political economy by putting it back in the context of issues of governance, social transformation, and the ethics of colonial rule from which it was extracted and thereby impoverished in the course of the nineteenth century. In order to distinguish it from all the new-fangled strands of neo-liberal political economy, or Ricardian political economy, it may be styled as contextual or historical political economy. Such a designation would also show its affiliation to the apparatus of contextual political thought that has been constructed in recent years by J.G.A. Pocock, John Dunn and Quentin Skinner.



# Political economy : a discourse of mastery or an apparatus of dissent ?

Amiya Kumar Bagchi

## 1. Contextual political economy and its rationale

The discipline that studies the material aspects of man's (woman's) well-being has gone through at least three transformations. It emerged between the late sixteenth and the early seventeenth century Europe as a systematic study of the state and society dealing with the economic aspects of statecraft or social stability (or in some cases, social revolution). During this period, most authors dealing with political economy were continually referring to their political and social concerns or, their ideological stances, often in the guise of theological disputations. This often detracted from their analytical sharpness, but also rendered their discourse dense in the sense that the picture of the state or polity whose material condition was being analysed emerged as a living entity, and not as an indistinct sketch on tracing paper.

At the next transformation there occurred an apotheosis of Adam Smith's *Wealth of Nations* (Smith, 1776/1911) an apotheosis which either ignored the historical chapters of the book or which froze that history as the triumph of good over evil, or of *laissez faire* over government intervention. The real history behind Smith's demonology of what he dubbed as 'mercantilism' and the philosophical or political concerns of the Scottish sage were shut out of the concern of mainstream political economy. David Ricardo's *Principles of Political Economy* (Ricardo, 1820/1951) perhaps represented this abstraction in its purest form : the only politics or society Ricardo was concerned with was the politics and society of the England of his times. It was his achievement but also his doubtful gift to posterity to make political economists forget that other societies had other political concerns and other structures.

The final transformation in what has become the mainstream discipline of economics was to black out even the shadow of the political and the social, and foreground only what is called 'purely economic' in its discursive practice. This is the view of the discipline that has been enshrined in Schumpeter's *History of Economic Analysis* (Schumpeter, 1954). Part of the motivation of writing this paper lies in my view that the time has come now to entomb this view, and resurrect political economy in the spirit of its first incarnation - an incarnation which I will dub 'historical political economy' or 'contextual political economy'.

The programme that I have just put a name to was perhaps initiated by Marx in his unfinished *Theories of Surplus Value* (Marx, 1960-1971), but it was never executed seriously by later Marxists, at least in the English-speaking world. Ronald Meek and Maurice Dobb made interesting and important contributions to the execution of this programme, but both were hamstrung by the view that the only writings that mattered were the writings of the great political economists of their time such as Francois Quesnay, Adam Smith or David Ricardo. This view pervades, for example, Dobb's *Theories of Value and Distribution since Adam Smith* (Dobb, 1973). The only chapter in the book which is an exception to my charge is that on 'The Reaction against Ricardo'. Even there the reader misses the picture of turbulence in England that made Ricardo such a bugbear to a large section of the ruling classes and their spokesmen.

The kind of transformation in the view of the discipline of political economy that I have put forward has already made great strides in the related discipline of political and social theory, thanks to the path-breaking contributions of J.G.A. Pocock, John Dunn and Quentin Skinner (Pocock, 1957, 1975; Dunn, 1969; Skinner, 1978). The full laying out of this revolution in method is too large a task to be attempted here. But the shortest signpost is perhaps that of the Cambridge University Press series, 'Ideas in context'. By 'context' is meant not only that of the historical background broadly conceived, but also the context of other texts of the time, and by extension, the context of all other relevant institutions. It is recognized in the analysis that the meaning of a word or a phrase depends on who are using it and when, and *a fortiori*, the

meanings of statements change with the way they fit into other statements of the same speakers or of other speakers. The explication of the context of ideas involves laying bare the intentions of the speakers and the actors and the social and political processes which defeat, consummate or transform those intentions and often produce unexpected results. (Some of the central statements of the method and its limitations, by Quentin Skinner and his critics, occur in Tully, 1988).

Before we turn to the motivation of the particular exercise in contextual political economy attempted here, let me point out that the resurrection of the discipline in this form is not inspired by only the desire to retrieve meanings in history. It is also inspired by my perception that the actual process of economic change has been obscured by the myopic privileging of the analytical method of their own times by the general run of economists. I will here cite two celebrated examples. The quantity theory of money was formulated in a crude form by Jean Bodin, in the sixteenth century, reformulated in the seventeenth century by John Locke, and became part of the common sense of political economy, long before algebraic expressions for it were provided by Irving Fisher, D.H. Robertson, and John Maynard Keynes. Its reformulation in a more sophisticated form by Milton Friedman carried enough conviction in the period when Keynesian economics came under a cloud in Britain and the USA for it to become the official orthodoxy of central bankers and the Washington twins (the IMF and the World Bank). Is it possible to claim that the more sophisticated form of quantity theory did more good than the cruder form in influencing public policy before it was found out (as Mr Banbury was, in Oscar Wilde's *Importance of Being Earnest*)? It will take a brave soul to make such a claim. Or take another example. David Hume's specie-flow-price mechanism, put forward by him originally in 1752 (Hume, 1752), was supposed to explain the working of the automatic gold standard till 1914 at least. It was then found that it was anything but automatic, and that the sequence of development rarely conformed to the mechanism laid out by the philosopher whose scepticism still allowed a strange kind of determinism in human affairs. Then came Samuelson who claimed very recently that nobody had proved earlier that Hume's mechanism could have worked anyway.

Finally, I put forward the case of a dynamic theory of international trade and the silence virtually all histories of economic thought regarding it as a major example of the hiatus in our thinking created by the peculiarly narrow view of political economy ensconced in the current paradigm of academic economics. Josiah Tucker, a major pioneer of such a dynamic theory, is mentioned only once in Roll's *History of Economic Thought*, and that also as witness to the mobility of labour in his day (Roll, 1954, p.98). Schumpeter refers to him (Schumpeter, 1954, pp.226, 245, 375) but does not discuss any of his ideas separately and Blaug (1985) ignores him altogether. Viner's erudite tome refers to Tucker several times but there is only an oblique reference to the dynamical structure of the Dean's trade theory in the context of infant industry argument (Viner, 1937, pp.71-2). There is only one full-length book on Tucker in English (Shelton, 1981), but I have not found any reference to it in the work of practising economists (there is a reference though, in Pocock, 1985a). Yet as I hope to show, Tucker is worth studying on his own, for tying together a member of ideas which a few twentieth century writers painfully rediscovered. These latter also were for a long time treated as mavericks. The resurgence of dynamic theories of international trade and growth and the search for firm theoretical foundations of markets, which have come to be recognized as social institutions rather than disembodied algebraic symbols manipulable at will, have lent new importance to historical or contextual political economy. When major investment decisions are recognized as irreversible, and development is known to be path-dependent, history and real time enter integrally into theories of economic change.

Contextual political economy can also illuminate the development of different discourses of history. The key figures of Josiah Tucker, David Hume and Edmund Burke can be seen to be standing at a confluence of Whig historiography with a historicist bent, Tory historiography with an acceptance of free market as the best method of conserving old institutions, and a radical historiography whose idiom is conservative and organicist. Burke can be read as a revolutionary who wanted just that kind of social change which would preserve old values or as a conservative who resisted change but knew that certain changes were caused by deep historical forces and therefore the wise course was to see that the

changes wrought least damage to the texture of society. While making these summary statements, I am aware that I am dealing with writers whose discourses were of awesome complexity. But the point has to be made that European historiographies and mimetic or resistant historiographies in ex-colonial countries have a long ancestry, and that the genetic pool of that ancestry is to be sought not in traditional-style histories alone but also in discourses on contemporary developments (though it must be noted that Hume wrote a history of England, the only book of his which was a resounding commercial success). Semmel (1970) has already shown how relevant Tucker's writings are in the theory of the so-called anti-imperialism of free trade. But they can be seen also as an explanation of how dominance over a foreign land can be achieved without resorting to direct rule. As such they may also be relevant in understanding the structure of power in a world dominated by a bunch of wealthy capitalist nations.

## 2. Political economy as the master discourse of capitalist governance

The first chair of political economy in the English-speaking world was created by the East India Company for its officials who would be sent to India and was held by Thomas Robert Malthus (Keynes, 1951, p.91).<sup>1</sup> This investiture at once institutionalized two contradictory tendencies of the new academic discipline of political economy. On the one hand, Malthus' appointment symbolized the recognition of political economy as one of the dominant discourses of British colonial rule over India. On the other hand, Malthus represented the resistance of the losing segment of the British ruling classes to the newly-emerging orthodoxy of Ricardian political economy.

The incumbency of Malthus in the chair of political economy instituted by the East India Company for the instruction of the Company's senior officers in India, also symbolized the silence or the obfuscation of ground reality with slogans that marked much of the British official discourse regarding India. In most of his writings, Malthus had virtually nothing to say about India. On the other hand, the Malthus-Ricardo theory of differential rent was repeatedly invoked by British Indian officials to

justify the land tax policies favoured by them even though the Indian countryside fulfilled virtually none of the conditions of the capitalist agriculture for which that theory had been designed (Ambirajan, 1978, Barber, 1975; Stokes, 1959). Indeed, Malthus' successor at Haileybury, Richard Jones, composed his major book as a critique of classical political economy as applied to India and other 'Oriental' countries (Jones, 1831; Barber, 1975). But this dissidence found very little resonance either in actual British policy towards India or its discourse, or in the writings of later historians of political economy, except, of course the greatest dissident of all, namely, Karl Marx (Marx, 1960-1971, Part III, chapter XXIV).

In 1776, the year in which the U.S.A., the first nation in the world to be born without the placental cord of feudalism proclaimed its independence, was also published Adam Smith's *Wealth of Nations*. In this book Smith virtually carried out a surgical operation viz., separating the discourse of political economy from that of the discourse of advice to princes or legislators - a discourse that came later to be bifurcated and designated as political thought or political studies and ethics or moral philosophy.

The discourse of political economy was already becoming, in the 1750s and 1760s the dominant language of political debates in oligarchical Britain. One reason for this is that most of the writers in the realm of political economy accepted the settlement that followed the Glorious Revolution and that became the cornerstone of ruling class policy, especially after the ignominious rout of the challenge mounted by the Jacobites. Not only the sceptical and conservative David Hume, or the Church-nurtured Dean Tucker of Gloucester, but also the ex-Jacobite James Steuart took the political arrangements of George III's England as given. But it was Smith who dismissed most of the older debates as being bound by the limits of the 'mercantile system' (Smith, 1776, Vol.I, Book IV) and set a new agenda for discourses in political economy.

In 1817 Malthus' contemporary, friend and his severest critic, David Ricardo, in the first edition of his *Principles of Political Economy*

*and Taxation* demonstrated that it was possible to challenge the Corn Laws and expound the principles of working of a pure capitalist system without questioning existing Parliamentary or political arrangements. With that demonstration, the separation of political economy from its sisters and cousins, and its apotheosis as a master discourse became settled facts, at least until the Chartists and Parliamentary reform upset the near-consensus on these matters. The alleged decline of Ricardian economics in Britain in political circles did not displace political economy from the status of master discourse. John Stuart Mill provided a bridge between the world of Ricardian class conflict and the virtues of natural price, and the world of marginal utility and market prices as the only arbiters of human destiny. The rise of political economy as master discourse in Britain was the outcome of the view of upper class Britons that the oligarchy consolidated under Sir Robert Walpole and his successors had proved to be beneficial to the growth of agriculture, commerce and manufactures in England. The only major items that remained to be debated, at least until the disturbances of the period of the Napoleonic wars were the extent to which sectional interests should be sacrificed for the sake of commercial prosperity for the nation as a whole and the degree of concern that was to be shown regarding the growth of poverty among the displaced artisans and peasantry. That freer trade, if not free trade, was the only high road to prosperity was agreed to by virtually all participants in the debate.

### 3. Freer trade without empire

The ease with which a private British company was able to conquer practically the whole of the Indian subcontinent within a period of little more than sixty years (from the battle of Plassey (1757) to the battle of Mahidpur (1817) which saw the final subjugation of the Peshwa and the Maratha confederacy) has been attributed to the devastation caused by the wars attendant on the decline and fall of the Mughal empire (see, for example, Goetz, 1938; or Majumdar, Raychaudhuri and Datta, 1978, Book II, chapter V).

Looking at Europe of the eighteenth century, it is difficult to believe that it was any less a cockpit of warring groups than post-Mughal India. Jonathan Swift in Part IV of *Gulliver's Travels*. 'A voyage to the country of the Houyhnhnms' (originally published in 1726) had characterised the numerous ways in which war originated in Europe. Some of his descriptions are almost prophetic of the way India was conquered by the East India Company :

It is justifiable to enter into a war against our nearest ally, when one of his towns lie convenient for us, or territory of land, that would render our dominions round and compact. If a prince sends forces into a nation, where the people are poor and ignorant, he may lawfully put half of them to death and make slaves of the rest, in order to civilize and reduce them from their barbarous way of living. It is very kingly, honorable, and frequent practice, when one prince desires the assistance of another to secure him against an invasion, that the assistant, when he hath driven out the invader should seize on the dominion himself, and kill, imprison or banish the prince he came to relieve (Swift, 1956, p.262).

McNeill (1983) is not alone in arguing that it is the fissiparousness, and belligerence of the European state system that was one of the motive forces behind the advance of military technology and its diffusion into superior civilian technology—developments that allowed European merchants and European arms to conquer the rest of the world (see also Brewer, 1989; and Parker, 1988).

The establishment and consolidation of the Whig oligarchy in Britain under Sir Robert Walpole had been preceded by the expansion of the standing army and its bureaucratic rationalization under the leadership of William of Orange (McNeill, 1983, chapter 4 and Parker, 1988, chapter 4). The Hanoverian succession began with several decades of peace, but the Seven Years' War (1756-63) was to be the harbinger of a new era of belligerency among the European powers, extending overseas to the American War of Independence, and the struggle for mastery in India. However, this was also the era of a financial revolution: the state was now able to mobilize public credit on a sustained basis without



running into bankruptcy. This led to further extension of landlord and rentier influence on British politics. The eighteenth century also witnessed the spread of the idea that luxury and polite manners rather than the rude barbarism of a Spartan soldier were marks of civilization; and of the idea that a continual movement towards freer trade was the high road to prosperity (Dickson, 1967; Hill, 1977, Part Three, chapters 4 - 6, and Part IV, chapter 1; Hirschman, 1976; and Pocock, 1985, Part III). How far the gentry or the ruling classes lived up to the ideals of gentility, or polite manners is another question altogether. In recent times, Herbert Butterfield, E.P. Thompson and many other historians following them have adopted a sceptical attitude towards the virtues of the gentry oligarchy (Butterfield, 1944; Hay *et al.* 1977; Thompson, 1977, 1991) but the ideal remained as an important constituent of the general ruling class ideology of the eighteenth century.

In the 1750s, Britain had already become an empire, with colonial possessions in Ireland, in North America and in the Caribbean islands, and in scattered pockets or enclaves in other parts of the world. There were celebrants enough among the ranks of British politicians and writers of the imperial expansion of Britain or more narrowly, England. Not only East India merchants such as Sir Josiah Child or West Indian traders, but poets as different as Alexander Pope and Thomas Gray have been read as expressing the Spirit of England as the queen of the seas in their endeavours or their writings (Barrell, 1983; Kaul, 1992, chapter IV). However, there were many publicists whether Tory, Old Whig, True Whig, or plain Whig in domestic politics who still considered colonial possessions as unnecessary and in many cases, a positive hindrance to domestic prosperity.

#### 4. The British eighteenth-century proponents of colonial conquest

In a recent essay, Pocock has commented on the contrasting styles of conservatism of two very different personalities, namely, Josiah Tucker and Edmund Burke, who, however, both supported the independence of the thirteen American colonies in 1776 (Pocock, 1985b).

Tucker and Burke can also be seen as opponents of conquest for the sake of commercial prosperity of the conquering nation, although in the case of the Irish Burke, the economic and political damage suffered by the conquered country also figured prominently among the reasons for his opposition to arbitrary and authoritarian rule over a colony.

Edmund Burke, and slightly later, James Maitland, the Eighth Earl of Lauderdale, both opposed the system of rule instituted by the East India Company in India. They should be seen as part of the tradition which regarded a political dependency as an irrelevance or a hindrance to the good government of England by men of property engaged in the legitimate pursuit of profit through unshackled commerce. This contestation of colonial conquest became much more muted among British Indian rulers and their spokesmen after the British attained unquestioned ascendancy over the subcontinent of India. If Josiah Tucker can be taken as a spokesman of rich country dominance without empire, James Mill's writings mark the apogee of the opinion that affluence through civilized commerce is itself a justification of rule over nations which are more unfortunately situated. Almost coincidentally, the first edition of Mill's *History of British India*, which became a major landmark in the apologetics for British rule in India, was written in 1817 — the same year that saw the publication of the first edition of Ricardo's *Principles* and the final subjugation of the Maratha confederacy by the British.

Josiah Tucker, the Dean of Gloucester, was engaged in a controversy with a much more famous contemporary, viz., David Hume, regarding the nature and duration of the advantages a rich country enjoyed over its poorer trading partners, a controversy that has been reviewed on several occasions by historians of political economy (Hume, 1752a and 1752b; Tucker, 1774, Tract I; Viner, 1937, pp.84-7; Semmel, 1970, pp.16-18; and Hont, 1983). A full treatment of the controversy would still require a new essay, however. In 1752, Hume outlined his classic specie-flow-price mechanism for bringing about equilibrium in an economy which experienced a surplus (deficit) in its balance of trade and hence an influx (outflow) of an internationally accepted medium of exchange — gold or silver bullion or coins, in his particular case. He sought to demonstrate that, all other things remaining the same, an inflow of money in

the form of gold or silver would not permanently allow the country to retain a surplus in its trade balance with foreign countries or to remain permanently richer to the extent of the initial surplus accrued.

Hume used phrases in his 'Balance of trade' essay which suggested that a rich country might be inevitably impoverished in free competition with poorer nations, with lower wages and hence lower costs. His essay, 'Of money', however, could be read to mean that what would happen is that certain kinds of manufactures requiring a relatively low level of skills and abundant labour would migrate to the poorer country. In a world where technology was all the time generating more skill-intensive industries, there would be a progressive diversification of economic activities. As a result, the richer countries would move up the product spectrum and the poorer country would produce the products the richer country ceased producing. In this process, the gap between the rich country and its poor trading partner would persist : it might progressively diminish, remain constant or even widen, depending on the way product differentiation and productivity differentials evolved over time. But there need be no presumption that the richer country would necessarily be brought down to the level of the poorer country. In any case, even if the productivity gap between the two countries diminished, they would grow richer together in the process.

Neither Hume nor his critics in this debate fully outlined such a process, although Hume and later on, Tucker, came close to it (Hont, 1983, pp.274-5; Tucker, 1774, pp.28-46). One reason was that the theory of adjustment of balance of payments in two growing money-using economies was not spelled out even in a rudimentary form until the twentieth century. The second reason was that the theory of international trade under static or dynamic economies of scale was not worked out until the 1970s and 1980s (Samuelson, 1980, Jones and Kenen, 1984 and Helpman and Krugman, 1985; Bagchi, 1992a).

## 5. Tucker's dynamic theory of international trade

However, Tucker can be regarded as one of the precursors of the argument that early specialization in manufactures and the conse-

quent tendency for productivity to rise all the time confers a more or less permanent advantage on a wealthy country endowed with manufactures as against a poor country, specializing in the production of raw materials and agricultural products. He can also be credited with formulating many of the ideas of cumulative advantage that were advanced by Gunnar Myrdal (1957) and Nicholas Kaldor (1972) from the 1950s on. Tucker distinguishes between the case where a country gains a once-for-all wind-fall (Tucker, 1774, pp.22-28) and the case in which the richer country acquires wealth in the way of general industry. In the former case, the wind-fall will simply raise wages and costs all around in the country concerned, and gradually it will lose its trade to its poorer neighbours and come back to the same level of earnings which it had before it experienced the wind-fall. In the second case, the richer country or region would continue to retain its initial advantages for the following reasons (the orthography has been modernised in all quotations from eighteenth-century authors):

First, it would be more productive because it would be endowed with better implements, better infrastructure, a more extended and more intensive trading network, and a better or more productive agriculture (*Ibid.*, p.30).

Secondly, the richer country is better endowed with information and knowledge-generating capacity :

the poorer country, however willing to learn, cannot be supposed to be capable of making the same progress in learning with the rich, for want of equal means of instruction, equally good models and examples; and therefore, tho' both may be improving every day, yet the *practical* knowledge of the poorer in agriculture and manufactures will always be found to keep at a respectful distance behind that of the richer country (*Ibid.*, p.31).

Thirdly, 'the richer country, is not only more knowing, but is also more able than the other to make further improvements, by laying out large sums of money in the prosecution of the intended plan'. (*Ibid.*, p.32).

Fourthly, 'the higher wages of the richer country, and the greater scope given for the exertion of genius, industry, and ambition, will naturally determine a great many men of spirit and enterprise to forsake their own poor country, and settle in the richer; so that the one will always drain the other of the flower of its inhabitants....' (*Ibid.*, pp, 52-3).

Fifthly, 'in the richer country, where the demands are great and constant, every manufacture that requires various processes, and is composed of different parts, is accordingly divided and subdivided into separate and distinct branches; whereby each person becomes more expert and also more expeditious in the particular part assigned him'. (*Ibid.*, pp.33-4).

Sixthly, 'the richer country has the greater number of rival tradesmen, and those more quick and dexterous; the goods of such a country have not only the advantages arising from quickness and dexterity, but also will be afforded much the cheaper on account of the emulation of so many rivals and competitors'. (*Ibid.*, p.34.).

Seventhly, 'in the rich country, the superiority of the capital and the low interest of money, will insure the vending of all goods on the cheapest terms.' (*Ibid.*, pp.34-5).

Tucker ends up with a proposition which deserves to be celebrated as the Hume-Tucker law of economic development and international prices (because Hume in his essay, 'Of money' comes close to it):

'... *operose* or complicated manufactures are cheapest in rich countries; and raw *materials* in poor ones. And, therefore, in proportion as any commodity approaches to one, or other of these extremes, in that proportion will it be found to be cheaper, or dearer, in a rich or a poor country' (*Ibid.*, p.36).

In his second and third reasons for the persistent advantage enjoyed by a rich country over a poor one, Tucker largely anticipated the modern knowledge — and technology — based theories of dynamic comparative advantage (cf. Krugman, 1979 and Helpman and Krugman, 1985). He also stresses one factor, the importance of competition among trad-

ers and the density of trading networks in leading to low prices (partly, through a greater degree of utilisation of capacity) which has yet to receive adequate attention from economists (for exceptions, see Diamond, 1982; Baumol, Panzer and Willig, 1982; cf. also Rakshit, 1993). He, of course, fully anticipates Adam Smith in stressing an increasing division of labour as a generator of technical progress.

The only element in the construction of a theory of growth and international trade in a dynamic setting that Tucker misses out is static economies of scale, presumably because large-scale factories utilising processes characterised by decreasing costs were yet to make their debut when he wrote his *Tract*. He also misses out the effect of migration of capital, presumably because again the international migration of productive capital (as against that of the funds of rentiers investing in government bonds) had not yet assumed serious proportions. On the other side, Josiah Tucker fully grasped the 'backwash effect' on the poorer country or region (to use a term coined by Myrdal) of the migration of the more productive segments of the labour force and entrepreneurs to the richer country (region).

With such views about the major causes of economic growth and with the firm knowledge or belief that England was already the richest country in Christendom, if not the whole world, it would not have been surprising if Josiah Tucker had been a believer in free trade between nations as the expedient policy for England. A country which already enjoyed all the first-mover advantages enumerated by Tucker and the dynamic economies of scale resulting from them could simply go on prospering by conquering the markets for the 'operose' manufactures, and leaving the less advanced branches to her competitors. But in fact, while Tucker was a staunch opponent of monopolies, especially those created by privileges conferred on them by governments, he was not a believer in complete free trade between nations or countries. He was an advocate of free trade only in the sense that he believed in the right of anybody to engage in a trade or profession he chose to enter. But he was also an advocate of government intervention for the protection of public

good as against unbridled action of private interests, and he defined a good tax as one which tended 'to prevent idleness, check extravagance and promote industry'. (Schuyler, 1931, pp.13-14).

In his *Instructions for Travellers* (Tucker 1758/1931, p.252), for example, he wrote :

... such infant manufactures, or raw materials, as promise to become hereafter of general use and importance, ought to be reared and nursed during the weakness and difficulties of their infant state, by public encouragements and national premiums. But it doth by no means so clearly appear, that this nursing and supporting should be continued for ever. On the contrary, it seems more natural to conclude, that after a reasonable course of years, attempts ought to be made to wean this commercial child by gentle degrees, and not to suffer it to contract a lazy habit of leaning continually upon the leading strings.

Apart from protection for promising infant industries and special measures to encourage exports, another area in which Tucker specifically supported a special system of taxes and exemptions (and redefinition of property rights) was the growing of timber for building ships. Ships were vitally necessary for the defence of England, and she was, according to Tucker, too dependent on Baltic countries for timber. On the other hand, the price mechanism as such would not conquer the myopia of owners of land. Hence regulatory measures would be needed to resolve the intergenerational conflict of interest (Tucker 1755/1931, pp.117-124).

A clue to his concern to promote industry through government regulation -- not so much of trade, as of the wider social arrangements -- may be found in his *Brief Essay on the Advantages and Disadvantages which respectively attend France and Great Britain with respect to Trade* (Tucker, 1753) where he deplors 'the want of subordination in the lower class of people', in Great Britain as against the sobriety, frugality and aborinousness of 'the manufacturing poor' in France (*Ibid.*, p.71). The concerns of political economy were as yet not decently distanced from the concerns for maintaining a hierarchical order in society,



especially in the deliberations of a staunch supporter of the oligarchy of his day that Tucker was. The same concern for the strength and long-term interests of Great Britain is shown in the detailed proposals Tucker made, as we have already noted, for subsidizing timber plantations in England (and taxing those landowners who refuse to obey government instructions) in order to free her from dependence on imported timber for ship-building (Tucker, 1755, pp.117-124) : his argument for not relying on price incentives alone was that 'he who plants, unless he begins very young, cannot expect to reap much benefit in his own person' (*Ibid.*, p.121). Tucker was quite explicit about the connection between the establishment of the Whig oligarchy and the freeing of domestic commerce from all restraint : '... an *Englishman*, notwithstanding his boasted liberty, is in regard to commerce still *not free* : For, he is still in bondage, not to the Crown, indeed, as formerly, but to his fellow-subjects; and we still want the *Glorious Revolution* in the commercial system, which we have happily obtained in the political' (Tucker, 1755, p.135). Of course, Tucker may have wanted to instruct the potential competitors of England even more than the British themselves, and his prescription for government action to promote industry may have been meant only for the laggards rather than the leaders in the international competitive race. But such a reading of his writings would be far-fetched.

## 6. The theoretical basis of Tucker's opposition to colonialism

Tucker's opposition to war or colonial conquest as a means of advancing the economic prosperity of a nation was quite unambiguous . In his most extensive treatise on political economy, the *Elements of Commerce and Theory of Taxes* (Tucker, 1755, pp. 140-181) he launched a broadside against the policy of chartering companies with exclusive privileges in the area of foreign trade. One of the arguments he tackled was 'that exclusive Companies mre necessary in order to maintain forts, governors, and soldiers along the coast; — otherwise these establishments must be supported at the public expense' (Tucker, 1755, p.141). But Tucker asked,

To what *commercial* uses are these forts to be applied? If they are in order to plant a colony, — then the having a few ports, without making further settlements, is only being at a



continual expense to answer no end. If they are to awe and bridle the natives, it would be difficult to shew, what advantage can accrue to trade by insulting and disobliging the people you trade with. ... But perhaps it may be said, ports are necessary, in order to prevent other European nations from trade, if they have a mind to trade? Do the *English* forts, for example, prevent the *French*, or the *French* the *English* from trading to India? Not at all. Nay, those European nations which have not one fort, find the way to trade as well as others .... (*ibid.*, p.141). (Italics in the original).

Tucker did not republish the *Elements of Commerce* after 1755. But all the evidence suggests that he did not change his mind regarding the uselessness of colonial conquest or exclusive monopolies with arms and forts at their command for supposed expansion of foreign trade or economic improvement of the nation.<sup>2</sup> His basic argument was that war was unnecessarily costly, and was an impediment to trade, and that a country well-governed, and well-endowed with traders, manufacturers and a prosperous agriculture, will prosper along the path of peaceful trade with another country rather than by going to war with it. For, not only will the advantages of a rich country tell in the superior quality or lower prices of its wares but also it will gain more from trade with a populous and prosperous country than by pillaging it and reducing it to poverty. In one of his last writings Tucker expressed his astonishment that a wealthy, commercial nation such as England 'should entertain that fondness for war, and should espouse so many quarrels as the English have eagerly done for almost a half century past' (Tucker, 1781, p.524).

## 7. Empire, tribute and governance

The conquest of Bengal by the East India Company and the methods of administration adopted by its officers in India produced an enormous amount of dissent in the ranks of the disgruntled servants of the Company and later on in the ranks of the members of the Governor-General's Council (Bolts, 1772; Dow, 1768-72; Dutt, 1906; Banerjee, 1928; Majumdar, Ray Chaudhuri and Dutta, 1978, Part III, Book 1, chapter VIII; Sinha, 1965 and 1968; Guha, 1981).

The conquest of Bengal by the East India Company led the Parliament to assert its sovereign right by demanding a cut in the territorial revenues of Bengal by the Company. The monopolization of many items of trade by the Company's servants, the interference in the normal channels of trade by the Company and its servants, and the continual drain of bullion from Bengal to meet the demands of the Company, its servants and the Parliament resulted in the Company running huge accounting losses. An appeal to the Parliament for financial help succeeded but as a *quid pro quo*, the Parliament passed the Regulating Act in 1773 to bring the affairs of the East India Company's possessions in India under nominal Parliamentary control.

There were a series of Parliamentary enquiries into East India Company's affairs from the 1780s onward, which were prompted by specific complaints about the maladministration of Bengal or by application on behalf of the Company for renewal of its Charter. There were also books and tracts produced by the Company's officials or 'free merchants' in India, and by dissident politicians such as Lord Lauderdale. The language and agenda of these enquiries were influenced by the rising fashion for political economy among the ruling circles. Adam Smith's *Wealth of Nations* (1776) or simply the name of Dr. Smith was invoked by the protagonists to support their case. Until the beginning of the nineteenth century, criticism of the Company's rule, not just in its detail, but also in its totality, — as a 'system' in Lauderdale's characterization (Lauderdale, 1809) was quite normal among its reform-minded supporters as well as its avowed opponents. Such opposition to British rule as a system virtually disappeared from the discourse of the ruling classes after the legal abolition (in 1813) of the East India Company's exclusive privileges in its trade with India. James Mill's *History of British India* (1817) marked the end of dissent among ruling circles in Britain. Mill, the radical democrat in the context of Britain, proved to be more despotic in his intention than any Oriental Despot (a construct *par.excellence* of the eighteenth century) had ever been (for a short account of such construction, see Aronson, 1946/1979).

One of the most memorable documents on the East India Company's rule was the *Ninth Report of the House of Commons*, 25th

June, 1783, believed to have been mainly authored by Edmund Burke, on the basis of the documents submitted to the Select Committee 'appointed to take into consideration the state of the Administration of Justice in the Province of Bengal, Bihar and Orissa, and to report the same, as it shall appear to them, to the House; with their Observations thereupon; and who were instructed to consider how the British Possessions in the East Indies may be held and governed with the greatest security and Advantage to this country; and by what Means the Happiness of the Native Inhabitants may be best promoted' (Burke, 1969, p.1). Obviously, it was taken for granted that the last two objectives, viz. 'the greatest security and advantage' to Britain and 'the happiness of the native inhabitants' could be reconciled within the same scheme of government.

In one way or another Edmund Burke was practically engrossed in the affairs of the East India Company from the 1780s to almost the end of his life first, through his membership of the Select Committee of the House of Commons to enquire into East India Affairs, then through his espousal of the India Bills seeking to abolish the political authority of the Company, and through his speeches before the House of Commons and finally before the House of Lords seeking the impeachment of Warren Hastings, the Governor General of Bengal from 1772 to 1785 (Marshall, 1965; and 1991)<sup>3</sup>. While the *Ninth Report* embodies Burke's (and his associates') idea of how principles of political economy would inform the good governance of the East India Company's possessions in India, the proceedings connected with the impeachment of Hastings illuminate what was considered to be inadmissible behaviour on the part of a supreme governor acting under the authority of the British Parliament.

## 8. Toleration of religion and custom as a foundation of good governance

The *Ninth Report* and Burke's speeches reaffirm certain guidelines for governing the British-occupied territories in India. One cardinal principle of this was non-interference with the religious beliefs of the people and respect for the customs of the country to the extent to which they did not interfere with the Company's continued oc-

cupation of the territories under its control (Marshall, 1965, 'Conclusion' and Marshall, 1970). According to Nathaniel Halhed, one of the first translators of Hindu religious regulations, nothing could conduce more to protect the stability of the Company's acquisitions in India or 'conciliate the affections of the natives', 'as a well-timed toleration in matters of religion, and an adoption of such original institutes of the country, as do not immediately clash with the laws or interests of the conquerors' (Halhed, 1776, p.142). The translation of the Hindu religious regulations was carried out by Halhed with the encouragement and active support of Warren Hastings, who forwarded it to the Court of Directors of the East India Company (Rocher, 1985, chapter 4). Hastings was himself a considerable scholar (by the standard of those days) of Indian lore and Indian languages. On the other hand, one of the standards by which Burke wanted Hastings to be judged was whether the latter had violated the 'laws, rights, usages, institutions' of Indians (Marshall, 1965, p.XIII). Most of the protagonists in the debate on India in fact accepted the desirability of respecting the social institutions of India, in so far as, of course, they did not interfere with the protection of the Company's acquisitions.

There were, however, reformers who wanted to revolutionize the Indian institutions so as to make them better conform to the demands of private property rights and free trade : (see, in this connection, Guha, 1981). This attitude has been generally seen as simply a matter of expediency. But, in fact, this would have been an attitude typical of a member of the upper classes in Britain— especially one who found the existing political arrangements pretty well-ordered, except for a few blemishes here and there. Religious toleration, while still not receiving a legal embodiment in all respects became a settled matter of social policy and normal political practice over the century after the Settlement of 1688 (Hill, 1971; Corrigan and Sayer, 1985, chapters 4 and 5). Private property, especially in land, remained the bedrock of social and political power in eighteenth century England and Burke was quite explicit in support of that social order (Macpherson, 1980; chapter 5).

## 9. Burke's assumptions regarding the nature of Indian society and applicability of English laws

Burke's assumption was that Indian society was characterized, like European society, by 'property moveable and immoveable, descendible property as well as occasional property held for life' (quoted by Marshall, 1965, p.183). Hence he found it natural to apply to its governance principles which he also upheld as an active politician in the British Parliament. In the *Ninth Report*, which served as a justification for the India Bills introduced by the coalition government of the Rockingham Whigs and Lord North, Burke (speaking as the acknowledged author of the *Report*) pointed out the grave departures from the requirements of justice that were permitted by the Regulating Act of 1773. First, the supreme body of the East India Company, viz., the Court of Directors was elected by the Court of Proprietors, and the latter would easily come to be dominated by corrupt servants or associates of the Company and thus 'the delinquent servants of the Company' who might have to be brought to book before the Court of Directors could easily become their own judges (Burke, 1783, p.200). Burke's concern for good government of India was intimately connected with his general concern to minimize the corruption arising out of the patronage of the royal court in Britain. Extending this fight against corruption to the East India Company's possessions, he wrote, 'it is cabal and corruption, rather than disorder and confusion, that were most to be dreaded in transacting the affairs of India' (*Ibid.*, p.201).

Coming to another important part of the provisions of the 1773 Act, Burke thought that the Supreme Court set up under it was 'opereose and extensive' (*Ibid.*, p.204). The Select Committee was unable to find one single leading instance of relief given by that Court 'to the natives against the corruptions or oppression of British subjects in power' (*Ibid.*). On the other hand, there was 'a very strong marked instance of the judges having employed an unwarrantable extension or application of the municipal law of England' (*Ibid.*). This was the trial and execution of Maharaja Nandakumar on a charge of forgery, a crime which was a capital offence under the draconian laws for protecting property in eighteenth

century England (Hay *et al.* 1977 and Thompson, 1977) but definitely not in India under the pre-British laws.

The 1773 Act also set up the Council General to supervise the operations of all the three Presidencies into which the East India Company's Indian administration was divided. The Governor in Bengal, with the new designation of Governor General became head of the Council, with four other Councillors as members. Members of the Council were forbidden trade and the taking of presents, and a right of prosecution in the King's Bench for violations of their powers was provided in the Act. However, 'nothing was done to prevent complaint from being far more dangerous to the sufferer than injustice to the oppressor. No overt acts were fixed, upon which corruption should be presumed in transactions, of which secrecy and collusion formed the very basis; no rules of evidence, no authentic mode of transmission were settled in conformity to the unalterable circumstances of the country and the people'. (Burke, 1783, p.208).

But in trying to nail down Hastings' crimes or fixing responsibility for the alleged maladministration by the other officials of the Company in India, Burke came up against several serious conceptual problems which have not always been recognized by later commentators. First, in days without steamboats or the telegraph, trying to regulate the Company's affairs from Britain in any but the grossest manner, while allowing the Company to retain its privileges and imposing on it a duty to act as the bailiff of the Parliament to raise a tribute in India, was almost a hopeless task. The Governor General and his Council must be given enough leeway to judge the situation by themselves and act locally. Their authority must be rather 'ill-defined'; how could they be prevented from giving construction to that authority 'which' the *Ninth Report* alleged 'rendered them perfectly despotic'? (*Ibid.*, p.207). As the same *Report* pointed out, if such constructions were allowed, 'no action of theirs ought to be regarded as criminal' (*Ibid.*).

As the outcome of the attempt to impeach Warren Hastings demonstrated, this is exactly what happened. Despotism and arbitrariness were inherent in the administration of a private corporation which was

allowed, or even enjoined, to increase the profits of the proprietors and the share of the Parliament in those profits through acts abridging the liberty of foreigners wherever it was considered expedient to do so. How was the legality of action of the servants of the Company to be defined when the concept of legality suffered from a number of problems? First, it was not at all clear which laws — the laws of previous regimes in India or the laws passed by the British Parliament or the common law of England as interpreted in the Courts — should prevail when conflicts arose between them. Secondly, in many cases, Indian laws were themselves not defined in the sense in which definition was understood by British administrators or jurists. They were not always neatly codified. They depended considerably on oral evidence, local usage and contextual interpretation. Their orality and contextuality came up against the faith in the written word displayed by the 'writers' of the Company (it is not for nothing that the seat of the Company's government in Calcutta came to be known as Writers' Building). Rigid definition in a written form was also, however, demanded by the mercantile pursuits of the Company and by the attempt to enforce accountability at a distance for both mercantile and non-mercantile decisions. Thirdly, the Company's administration set up a centralized bureaucracy in a country of vast distances with a considerable diffusion of administrative, judicial and disciplinary powers among local magnates. That attempt itself was bound to disturb many local usages, customs and laws. As Colebrooke and Lambert (1795) were to complain later, not enough courts were set up by the Company for ordinary people to have access to those seats of justice.

Finally, of course, there was the supreme irony that most of the members of the ruling class in Britain — belonging to the country or Court party, calling themselves old Whigs, True Whigs, plain Whigs, Rockingham Whigs, or Tories — believed in the inalienable right of property-holders to govern themselves and the realm in the interest of private property. And here was a Company which was riding roughshod over many of the private property rights of landholders and others in Bengal and denying all political right to the propertyholders and *a fortiori* to the rest of the populace. Burke was beginning to be interested in Indian affairs at exactly the time when the British Parliament was getting ready to accept the fact that the thirteen American colonies would shake



off any pretence of rule by the Parliament. Burke, along with Josiah Tucker, Adam Smith and a whole lot of political economists and Whig politicians in general, basically supported the Americans against George III and the Tory administration in this historic conflict. A major slogan of the American revolutionaries was, 'No taxation without representation': At no stage did Burke or any other critic of the mode of operation of the East India Company in India suggest that Indians should any way be represented in the British Parliament or that the Parliament should even hear Indian evidence. Those who denied the Indians any concept or practice of private property or any claim to consideration as landed proprietors were in some ways more consistent than men like Burke who found so many similarities between Indian and European societies and analysed the violation of the basic tenets of political economy and yet could not think of a totally different system of government for India. The 1783 India Bill put forward by the Coalition government of which Burke was a member would, at best, only have substituted the officials appointed by the British Parliament for the East India Company's servants as the despots of India.

#### 10. Burke's analysis of the macroeconomics of plunder

The critique of the East India Company's policy contained in the *Ninth Report can be divided* into the macroeconomic and monetary aspects and the microeconomic and sectoral aspects. The opening section of the Report is devoted to the political aspects of governance of the Company. The following three sections, including the section on the internal trade of Bengal, are devoted to the macroeconomic aspects, including the influence of the disarray of the normal external and internal trade of Bengal on the external economic relations of the Company. The rest of the Report, up to *the* penultimate section, discussed the sectoral problems of silk and cotton textiles, opium, salt and saltpetre — commodities which formed the major part of the 'investment' of the Company. We have to understand that 'investment' in this context is exactly the opposite of what the word has come to mean in the usual parlance of economics: 'investment' by the Company meant the extraction of certain major commodities from Bengal as part of the tribute of the Company and their sale in European



markets. The Ninth Report *details how this* perversion of the normal meaning of the word came about in the East India Company's vocabulary and practice.

Before the Company's army conquered the territory of Bengal and Bihar, its trade with that territory and with other parts of India generally produced a large balance in favour of India, and that had to be settled by exporting treasure — mainly in the form of silver — from Europe. After the conquest of Bengal by the Company, and more specifically after its acquisition of Dewani, that is, *the right* to levy the annual land revenue in Bengal, Bihar and Orissa in the name of the Mughal Emperor in Delhi, a portion of the revenues of the conquered territory was set aside for the purchase of goods to be exported to England on behalf of the Company and this was called 'The investment' (Burke, 1783, p.223). So 'investment' became equivalent to the extraction of tribute. This was, as Burke emphasized, 'a new way of supplying the market by means of the British power and influence' (Ibid.). Ironically enough

The greatness of this investment has been the standard by which the merit of the Company's principal servants has been too generally estimated; and this main cause of the impoverishment of India has been generally taken as a measure of its wealth and prosperity' (Ibid.).

As the *fame* of the fabulous wealth to be obtained by the new rulers of Bengal spread, the proprietors of the East India Company and the British government both wanted to profit by those riches :

These two parties, after some struggle, came to an agreement to divide between them the profits, which their speculation proposed to realize in England from the territorial revenue in Bengal. About two hundred thousand pounds was added to the annual dividends of the proprietors. Four hundred thousand was given to the State; which, added to the old dividend, brought a constant charge upon the mixed interest of Indian trade and revenue, of eight hundred thousand pounds a year; this was to be provided for at all events (Ibid., p.224).

This new system of 'trade' caused enormous hardship to the Indians, and also to other European powers trading with India. Nothing was done to relieve the Indians. But apart from the fact that the local officials of the Company and the Court of Directors tried to devise expedients to help the European powers, the legal and illegal fortunes made by the British Company's servants provided the wherewithal for the other European powers to carry on their trade. The latter bought commodities in Bengal with the funds provided by the Company's servants and the export of those commodities became the means of remitting these fortunes, sometimes by devious routes, (such as through China and the Americas), to Britain. The British East India Company's trade, the trade of its servants or other private merchants and that of other European powers between India and China were also supported, at least partially, by the territorial revenues of Bengal. The upshot was, according to the *Ninth Report*, that

The whole exported produce of the country [i.e. Bengal and Bihar - A.B.] (so far as the Company is concerned) is not exchanged in the course of barter; but is taken away without any return or payment whatsoever. In a commercial light, therefore, England became annually bankrupt to Bengal, to the amount nearly of its whole dealing; or rather, the country has suffered what is tantamount to an annual plunder of its manufacture and its produce to the value of twelve hundred thousand pounds (*Ibid.*, p.226).

Moreover, as pointed out already, the royally chartered or monopoly companies from France, Holland and Denmark, instead of providing relief to India through legitimate commerce and competition with the British East India Company, added to the calamity, 'because the greater part of the capital of all these companies and perhaps the whole capital of some of them, is furnished exactly as the British is, out of the revenues of the country' (*Ibid.*, p.227).

All of this analysis was not wholly original. Sir James Steuart who was asked by the East India Company to devise a scheme of banking for Company's territories when the trade of those territories was already

suffering from the terrible shortage of an acceptable medium of exchange, had diagnosed some of the basic reasons (Steuart, 1772). The correspondence of the servants of the Company refers to many of the elements of Burke's analysis, which was indeed based largely on information provided by that correspondence and by data supplied by his collaborators and informants, the chief of whom, Sir Philip Francis, had a deep knowledge of Indian affairs. Later commentators and economic historians provided more detailed estimates of the 'drain' or the 'plunder' during the period covered by Burke (see, for example, Colebrooke and Lambert, 1795), and some economic historians (e.g., Sinha, 1927) tried to relate developments in the real economy to the developments in the area of the medium of circulation. However, the starkness and clarity of the analysis of the process of impoverishment of Bengal through the mechanism of a regular transfer of a tribute abroad and through the exercise of despotic power by the Company's servants have never been surpassed by later analysts.

## 11. The plunder of India and the threat of Nabobization of British politics

Burke (in the *Ninth Report*) was also concerned with the malign impact on domestic British politics of the perverse manner in which trade was conducted by the East India Company and its servants (Burke, 1783, pp.231-43). This concern more or less disappeared from the later discourses on the political economy of British rule in India, making only a fleeting appearance in the discussion of eighteenth century British politics or of the developments leading to the abolition of the East India Company's exclusive privileges of trade with India (in 1813) and later, with China (Furber, 1951; Greenberg, 1951; Sutherland, 1952; Philips, 1961; Marshall, 1965; Tripathi, 1979).

The expedient of continually raising land revenue demands on the Company's territories and extorting larger and larger payments could not keep up the 'investment'. The Company then resorted to advances from its own Board of Trade in London, and also raised loans in the London money market. But this expedient soon ceased to relieve the Com-

pany. The Directors then allowed the servants of the Company to send goods on the Company ships, so as to try and realize a commission on them, although the Company legally enjoyed the sole monopoly of trade of Britain with all parts east of the Cape of Good Hope. Variations on this plan were made, and the Company's servants in London profited from commission on these transactions, besides their salaries. As Burke (1783, p.236) pointed out, through these transactions, 'the Company is totally overturned, and all its relations inverted'. From being a body concerned in trade on their own account, and employing their servants as factors, the servants turned the Company into their agent.

With improvement in the finances of the Company through the recovery of Bengal from famine, through further conquests and through the reforms brought in by Lord Cornwallis, the inversion of the Company's relations with its servants was partially reversed. However, the influence of the fortunes made by the Company in Britain, and more indirectly, on those deliberations of the British Parliament which concerned the Company's administration lingered. One of the most notorious cases of such influence occurred when Paul Benfield, who had amassed a fortune by lending money to the Nawab of Arcot and supporting him in his attempt to take over the territory of Tanjore, was able to buy a Parliamentary seat. The Raja of Tanjore was re-installed for the duration by the Board of Control which was created by Pitt's India Act of 1784. Benfield nonetheless realized most of his ill-gotten fortune from India although he lost it all in later speculations. (Marshall, 1981a). Many other returned 'Nabobs' were influential in the British Parliament in Burke's time. It is possible, however, that the reform of the East India Company's administration severely limited the extent of illegal fortunes made in India after the 1780s, and that the relative impoverishment of India under the Company's administration also led to a contraction of the base on which spectacular private fortunes could be made. With the tightening of Parliamentary control mechanisms the large private fortunes to be made in India was only substituted by the more systematic fiscalization of the tribute extracted from that country. With this development, the influence of the Indian connexion on British politics became diffused through the whole state apparatus and would no longer be localized in particular Parliamentary groups or politicians.

## 12. The microeconomic, and sectoral aspects of the coercive monopoly exercised by the Company and its servants

After treating the effect of the tributary extractions of the Company on the Company's governance, Burke in the Ninth Report turned to the domestic and sectoral aspects of the political economy of the Company's government in India. The Company had obtained a valuable privilege from the Mughal Emperor — that of trading within the country without paying most of the duties on internal trade. But their servants did not enjoy this privilege. After the conquest of Bengal, however, the Company officials began to behave as if they also enjoyed this privilege. This led to severe losses for the Nawab's treasury and put the Indian merchants who had to pay the tolls at a serious disadvantage in competition with the Company and its servants. As Burke (1783, p.244) put it, the Company's 'servants ... followed their fortunes in the channels in which it had hitherto ran (sic), only enlarging them with the enlargement of their power. For their first ideas of profit were not official; nor were their oppression those of ordinary despotism'.

Mir Kasim, who was installed by the British as the Nawab of Bengal in place of their first puppet, Mir Jaffer, objected to this blatant abuse of the Company's privileges by its servants. Failing in his remonstrance, he took a drastic step — that of abolishing all internal tolls. In Burke's words (Ibid., p.245) 'Never was a method of defeating the oppressions of monopoly more forcible, more simple or more equitable'. When the Company's servants in Calcutta failed to get the Nawab to change his ruling, they denied that he had the power to remit the duties and ultimately deposed him after defeating him at the battle of Buxar.

After this, the Company's servants simply did as they pleased. 'The Company's servants, armed with authorities delegated from the nominal government, or attended with what was a stronger guard, the fame of their own power, appeared as magistrates in the markets in which they dealt as traders' (Ibid.). Some of the Company's senior servants tried to act as the public officials of a regular government, but their own self-interest or self-interest of rivals within the establishment defeated their

aims. Lord Clive, appearing for the second time as Governor of Bengal, sought to regularize the de facto monopoly *in most* of the important articles of internal trade by making it de jure. But *after a time*, his device was struck down by a decision of the Court of Directors.

In the Ninth Report, Burke *made an acute analysis* of the injurious character of the monopoly exercised by a set of arbitrary rulers. He also pointed out the instability introduced by sudden changes from principle to expediency and back : 'as the complaint of the country [i.e. Bengal - A.B.] or as their own interest predominated, they [i.e. the Court of Directors of the Company or the Presidency of their senior officials in Calcutta - A.B.] were always shifting' from the course of benefiting the pecuniary interests of the Company or its servants, or acting according to the principle of a ruler, 'so that it became as impossible for the natives to know on what principle to ground any commercial speculation, from the uncertainty of the law under which they acted, as when they were oppressed by power, without any colour of law at all' (Burke, 1783, pp.246-7).

The evils of the kind of monopolistic power exercised by the Dutch and the English East India Companies had already been expounded by Adam Smith whose work Burke is said to have admired (Pocock, 1982, p.194). Smith, 1776, Vol.2, pp.131-7; 233-42) had pointed to the essential conflict of interest between the Company as sovereign and the Company as merchant. 'It is in the interest of the East India Company, considered as sovereigns, that the European goods which are carried to their Indian dominions should be sold there as cheap as possible; and that the Indian goods which are brought from thence should bring there as good a price, or should be sold there as dear as possible. But the reverse of this is their interest as merchants. As sovereigns their interest is exactly the same as that of the country they govern. As merchants their interest is directly opposite to that interest' (Ibid., p.134).

Burke's analysis in the Ninth Report was *partly an elaboration* of this theme. But it went beyond that in demonstrating the malign effect, on almost all branches of economic activity in which the Company or its servants might be interested, of the combination of state power and mercantile interest in the same body of people. And his analysis revealed the further horror that the Company might cease to be merchants and yet its policies might work against the interest of the country it governed. Smith had not yet enough data on Bengal to go further than broad generalizations. But he drew on his knowledge of the government of the Dutch East India Company to extend his critique to the British policy in Bengal as well. In order to keep up prices of the produce of 'the spice lands' of Indonesia, the Dutch were 'said to burn all the spiceries which a fertile season produces beyond what they expect to dispose of in Europe with such a profit as they think sufficient'. (Ibid., p.132). *Through* their wanton destruction, the Dutch were also said to have reduced the populations of several islands to a point in which they were just sufficient to supply the provisions for the Dutch garrison or the occasional visiting ships. Smith then predicted gloomily : 'The English Company have not had time to establish in Bengal so perfectly destructive a system. The plan of their government, however, has had exactly the same tendency'. (Ibid.).

Burke *followed* Smith in his total distrust of the monopoly instituted by the East India Companies in India (or Indonesia). Smith's argument against the allegation that without monopoly, the prices of Indian goods in the British markets would go up through competition in the Indian market was a dynamic one : 'The increase in demand ... though in the beginning may sometimes raise the price of goods, never fails to lower it in the long run. It encourages production, and thereby increases the competition of the producers, who, in order to undersell one another, have recourse to new divisions of labour and new improvements of art which might never otherwise have been thought of' (Ibid., p.235).

*The Ninth Report also analysed* the effects of the East India Company combining the functions of a trader and a ruler on its own fortunes and on those of the Indian traders and producers. This analysis is striking



because of (a) the distinction made between an ordinary monopoly and a coercive monopoly (Burke, 1783, p.252), (b) the delineation of the numerous ways in which the Company's servants could convert the powers of the Company as a ruler into their own arbitrary power when trading with Indians, and (c) the clear recognition of the coercive depression of earnings of most Indian producers enmeshed in the trade of the European companies or their servants to levels of subsistence or even below those levels (Ibid., p.249). A coercive monopoly is distinguished from a mere monopoly by the fact that the monopolist can use state power or arbitrary power in addition to the usual instruments of the market place.

When the trade in raw silk, which had until then been a preserve of the Company, was opened to the Company's servants, the price of it at once rose by eighty per cent. The explanation given was that the price paid by the Company to the producers had been arbitrary, and had been no more than 'what was judged sufficient for the maintenance of the first producers' (Italics mine). The cultivators who produced the silk 'had the sufficiency of their maintenance measured out by the judgement of those who were to profit by their labour; and this measure was not a great deal more by their own account, than about two thirds of the value of that labour' (Burke, 1783, p.249). Burke recognized that whether the trade was legally monopolized by the Company or thrown open to the Company's servants as well, the cultivators would be in the same position of 'servitude' because of the despotic power exercised by the Company or its servants or their agents lower down (Ibid., p.252).

Throughout the Ninth Report, Burke *emphasized* the multiple ways in which the power of the Company and its servants pervaded all dealings with Indians and converted an apparent freedom of trade into a condition of monopoly. But, of course, the Company and its servants were intent on monopolizing any commodity which promised a large profit or a convenient means of remittance to England. In the case of silk 'the spirit of increasing the investment from revenue at any rate, and the resolution of drivinw all competitors, Europeans or natives, out of the market', prevailed in Madras also. The directors of the Company instructed



the presidency of Madras in 1768, to raise the prices offered in areas where such a practice would deter competitors. But the presidency was directed to prohibit them 'from making up any cloth of the same sortments that are provided for us ....' (Ibid., p.255). *With* the same objects in view, the Company directors in 1769 recommended an advance on the prices of raw materials, and also, to 'prevent silk winders from working in their private houses, and to confine them to the Company's factories, where they would work for the Company's benefit', wanted an absolute prohibition of their alternative employment to be promulgated, 'by the Authority of Government' (Ibid., p.253).

Turning to the production of, and trade in cloth, the Ninth Report cited *numerous* instances of the use of the authority of the state for the Company's profit and for the profit of its servants. When, for example, on the complaint of John Cree, an English free merchant at Dacca (Dhaka, now capital of Bangladesh), George Hurst, the Commercial Chief of the Company in that town, was asked for an explanation of the seizure of goods and imprisonment of Cree's agents, Hurst did not deny that there were some instances of abuse of power. But he claimed that 'a single instance cannot be brought of a general depravity'. (Ibid., p.261). The Select Committee claimed that they had reason to believe that the 'coercive measures' complained of had been 'very general, though employed, according to the degree of resistance to the monopoly' and that 'the whole trade of the Dutch' was at one time 'involved in the general servitude'. The Ninth Report then *laid bare* the distinction between abuse of justifiable authority and the use of authority for an unjustifiable purpose :

... it appears very extraordinary that nothing but the actual proof of a general practice *would* affect a practice, the very principle of which tends to make the coercion as general as the trade. Mr. Hurst's reflection concerning the abuse of authority is just; *but in* this case it is altogether inapplicable, because the complaint was not of the abuse, but of the use of authority in matters of trade which ought to have been free. (Ibid.). (Italics *in* the original)

### 13. The monetary consequences of the Company's plunder and coercive monopoly

The ruin of Indian merchants caused by arbitrary monopolization of virtually all external trade by the European Companies and their servants, and of any branches of internal trade the latter considered lucrative was compounded by the monetary aspect of the extraction of the tribute that the *Ninth Report* documented. The cessation of the import of silver into Bengal, accompanied by its export to China from the 1760s onward caused a severe shortage of coins in Bengal, and led to a liquidity crisis for all traders, but especially for Indians.

Attempts to introduce an overvalued gold currency did not answer either (Sinha, 1927, pp.59-60), when Warren Hastings was Governor, attempts were made to replace *cowries* (seashells imported from the Maldives) the main medium of exchange among the ordinary Indians, with copper coins (*Ibid.*, pp.145-6). But this did not succeed because there were not enough copper coins, and copper was overvalued in relation to *cowries* and silver. Experiments with the introduction of bank notes and use of European-style banks to carry out the remittance operations within the country also ended in failure (*Ibid.*, p.146). As Hume had already pointed out, a paper currency could not survive if a country ran an adverse balance of trade. The attempt by the British to export an 'investment' out of India on a continuing basis had generated an adverse balance of trade even though the basic *private* balance was almost always in India's favour.

Such monetary instability or rather long-term contraction in the monetary base almost certainly led to a contraction of total trade, and put into reverse gear whatever beneficial effects the more intimate trade connection between Europe and India might have otherwise had. The long-period demonetization and de-commercialization of many regions of India in the wake of British rule have not yet been adequately analysed, as the East India Company became more and more disengaged from internal trade, records of its dislocation became less frequent in official despatches. But complaints about the difficulty of making salary pay-

ments or other disbursements out of the Company's treasuries continued to surface in official correspondence down to the 1810s (many such complaints from the Bengal district officials are cited by Chowdhury, 1958; and Gupta, 1984).

#### 14. The need for protection of rights of Indian traders as well as producers

Burke's scheme of political economy comprehended not just the freedom of trade as an abstract principle but the right of traders and producers to engage freely in the occupations that they had chosen and earn a reasonable profit or competence from them. This is demonstrated by the way in which he treated the cases of Indian traders who had earlier engaged in cloth trade and also acted as agents to the Company, and of cultivators of opium, a commodity whose production the Company came to control rigidly within its territories, often employing private European merchants for that purpose.

The Company had engaged agents or *dalals* at Dacca for the procurement of cloth, but ultimately threw them out, in the process using many coercive measures against the weavers. The *Ninth Report* comments: 'It is remarkable that during the long and warm contest between the Company's agents and the dealers of Dacca, the Board of Trade seem to have taken a decided part against the latter. They allow some sort of justice in the complaints of the manufacturers with regard to low valuation, and other particulars' (*Ibid.*, p.262). But in another place they claim 'that there is no ground for the dissatisfactions and difficulties of the weavers, "that they are owing to the Dalals, whose aim it is to be employed"' (*Ibid.*). (Italics in the original). The *Ninth Report* comments: 'This desire of being employed, and of rendering themselves necessary, in men whose only business it is to be employed in trade, is considered by the gentlemen of the Board as no trivial offence. ...' (*Ibid.*).

Turning to the authorized monopoly of opium the *Ninth Report* noted :

The policy was justified on the usual principles on which monopolies are supported and on some peculiar to the commodity, to the nature of the trade, and to the state of the country : the security against adulteration; the prevention of the excessive home consumption of the pernicious drug; the stopping an excessive competition, which, by an over-proportioned supply, would at length destroy the market abroad, the inability of the cultivator to proceed in an expensive and precarious culture, without a large advance of capital, and lastly, the incapacity of private merchants to supply that capital on the feeble security of wretched farmers. (*Ibid.*, p.270)

The *Ninth Report* made the following comment on these arguments :

The last topic leads to a serious consideration of the state of the country. For in pushing it, the gentlemen argued, that in case such private merchants should advance the necessary capital, the lower cultivators "would get money in abundance". Admitting this fact, it seems to be a part of the policy of this monopoly to prevent the cultivator from obtaining the fruits of his labour. (*Ibid.*).

The Company officials had alleged that if the cultivator obtained more as advances or profit they were likely to squander it, and would not be able to 'complete their engagements in full'. (*Ibid.*, p.270-1). Law suits and fights would then ensue, between the different factors of the Company, creating disorder. However, the counter-argument of the *Ninth Report* was that competition was 'the natural corrective of the abuse, and the best remedy which could be applied to the disorder, even supposing its probable existence.' (*Ibid.*, p.271).

The Company and its officials generally acted as both the judge and the jury, when Indian producers of cotton cloth, silk, opium or salt ever dared to complain. Burke's political economy was fully sensitive to the effect of this combination of power and pelf in the same authority.

Taking the case of the Indian cloth merchants of Dacca who had complained of oppression by the Company's agents the *Ninth Report* observed that the latter simply denied the charge, without producing any real evidence :

In such cases of mutual assertion and denial your Committee are led irresistably to attach abuse to power, and to presume that suffering and hardship are more likely to attend on weakness, than that any combination of unprotected individuals is of force to prevail over influence, power, wealth, and authority. The complaints of the native merchants ought not to have been treated in any of those modes, in which they have been treated, and when men are in the situation of complainants against unbounded power, ... their abandoning their suit is far from a full and clear proof of their complaints being groundless (*Ibid.*, p.263).

### 15. The remedial process suggested by Burke

While Burke did not carry out the analysis of the effect of expanding markets on productivity and income growth in the style of Adam Smith, he clearly brought out the contractionary effects of the coercive monopoly exercised by the Company. He went on to suggest measures, both of internal reform of the Company's administration, and of a change in the relation of the Company and its government to the Parliament, in order to set the reverse process going. He also recommended the revival of a specific Indian agency, viz., merchant capital, as the carrier of the process of enrichment rather than its reverse :

The effect, which so long continued a monopoly, followed by a pre-emption, and then by partial preferences supported by power, must necessarily have in weakening the mercantile capital, and disabling the merchants from all undertakings of magnitude, is but too visible ...

... the long continuance of abuse has in some measure conformed the whole trade of the country to its false principle. To make a sudden change, therefore, might destroy the few ad-

vantages which attend any trade, without securing those which must flow from one established upon sound mercantile principles whenever such a trade can be established. The fact is, that the forcible direction which the trade of India has had towards Europe, to the neglect, or rather to the total abandoning of the Asiatic, has of itself tended to carry even the internal business from the native merchant. The revival of trade in the native hands is of absolute necessity; but your Committee is of opinion, that it will rather be the effect of a regular progressive course of endeavours for that purpose, than of any regulation, however wisely conceived (Burke, 1783, p 269).

On this showing, Burke can be claimed as an early proponent of national bourgeoisie rather than foreign capital as the major agency of capitalist transformation. James Mill may be regarded as being located almost at the opposite pole, especially on the basis of his evidence before the Parliamentary Select Committee on East India Affairs of 1831-32 (Barber, 1975, chapter 10).

### 16. Burke's labours lost

Most of Burke's stupendous labours in the cause of justice to the Indian subjects of the East India Company's government in India – merchants of cloth or silk, cultivators of mulberry, growers of cocoon, winders of silk yarn or weavers of silk cloth or cotton fabrics, growers of the opium poppy, producers of salt from seawater (the malangis) – and for the promotion of Indian economic prosperity through free trade came to nought. The India Bills promoted by the Fox-North coalition were defeated. None of the chief culprits, who had repeatedly flouted the instruction of the Directors and had done so while oppressing their Company's Indian subjects in legal and illegal ways, were brought to book. The motion for impeachment of Warren Hastings, while passed by the House of Commons, was rejected by the House of Lords (Marshall, 1965, 1991). The only objects that were achieved were a partial reform of the system of Parliamentary supervision of the Company's affairs under an Act passed under the administration of William Pitt in 1784, and the reform of the central administration of the Company's government in India under the

Governor Generalship of Lord Cornwallis (Majumdar, Raychaudhuri and Datta, 1978, pp.776-98). These reforms, combined with land tenure systems introduced between 1783 and 1813, and accompanied by changes in the economic structure that Burke analysed (with the hope that they could be reversed) had a paradoxical outcome. The tribute extracted from India was changed from being the resultant of an unsystematic commercial policy and a fitful land tenure system into a systematic charge on public revenues as either the dividend of the East India Company or interest on loans contracted by that Company in the name of its Indian possessions, or as expenses incurred in England for carrying on the government in India. Through these devices the tribute was rendered virtually invisible to a political economist who regarded all debts, however generated, as being sacrosanct. Thus James Mill could argue in his evidence before the Select Committee of the House of Commons on the affairs of the East India Company (Mill, 1832 and Barber, 1975, p.172) that Britain did not exact a tribute from India. And in this area as in many others, Mill's view became official orthodoxy and continued to reappear in imperialist apologetics down to the present (see, for example, Morison, 1911).<sup>4</sup>

### 17. Survival of political economy as dissent: Anthony Lambert

However, such orthodoxy had not yet crystallized before the 1820s and there are several notable instances of the use of political economy for fashioning a critique of colonial rule before it was put almost exclusively to the task of designing an apologetic structure for such rule. By then the changes that Burke foresaw, however darkly, had become the stylized facts about India in most official discourse.

The changes resulted, first of all, from the extraction of the tribute. Even if the tribute had been extracted as a lump sum tax in real terms with no distortionary effects on the structure of prices or with no monetary implications, it would still have diminished the real incomes of the people, and eroded the base of accumulation very seriously. It is essentially in this light that Burke, and later commentators such as Anthony Lambert<sup>5</sup> or Lord Lauderdale (1809) saw the problem. Sir James Steuart had already recognised the ineluctable conflict between the interests

of India and those of Britain in this matter of extraction of tribute. In view of the conflict Steuart thought, 'All that can be done in this particular, is to carry on the trade to the best advantage of the Company and for this nation [i.e. Great Britain - A.B. ], consistently with the permanency of it. Not to kill the golden goose which lays the golden eggs, but to feed her and preserve her' (Steuart, 1772, p.64, quoted by Barber, 1975, p.77).

Lambert wrote his account of the maritime trade of Bengal in 1794, when the war between Britain and France already affected that trade. He wanted the tribute to be restricted to the surplus revenues of Bengal and not extended to any monopoly of trade exercised by the Company (Colebrook and Lambert, 1795, p.172). He estimated the surplus revenue to be £.2.49 million for the year 1792-93. He provided a detailed account of the different sectors of Bengal's trade, claiming that it had thrived in every sector which was not restricted by the Company's monopoly or its harassing regulation. He claimed that the increased demand in Europe for 'eastern productions' had, 'in some measure maintained the same direction for the industry of Bengal, applied to arts and manufactures, but, further than maintaining the direction of industry', it had been 'no alleviation to the loss of the Indian demand for production' (Ibid., p.221). Lambert (and presumably, his co-author, Colebrooke, who was an official of the Company) squarely challenged the right of the Company's government to extract a tribute from India, especially as compensation for the expenses of conquest:

A guardian can have no claim to reimburse himself from the ward's estate, for the expense he incurs, in litigation, to obtain a trust not spontaneously committed to him. Sovereignty is a similar trust, which imposes duties on the acquirer, but entitles him to no compensation for the expense and risk at which he acquired secure authority, where he had no pretensions, grounded on the voluntary election of the subjects (Ibid., p.225).

Lambert carried out a series of calculations showing that the land revenue (which formed the largest part of total revenue of the Company's government) levied by the Company was far larger than had been extracted by the Mughals or the successor Indian governments, and



claimed that Bengal had been rapidly impoverished in the process, and was even 'beggared' (Ibid., p.228).<sup>6</sup>

### 18. Lauderdale's critique of Company rule: shrinkage of effective demand as both a symptom and cause of Indian impoverishment

The shrinkage of effective demand as a result of a continual export of a tribute without any return in goods was a major plank of Burke's and Lambert's allegation that the Company's rule had impoverished India. In the critique of that rule by Lord Lauderdale, this became a central element.

In his Inquiry into the *Nature and Origin of Public Wealth, and into the Means and Causes of Its Increase*, Lauderdale (1804) had made a distinction between individual riches and public wealth and had argued that a desire to accumulate in the form of capital goods beyond what could be profitably used, or a desire to save beyond the normal rate at which those savings could be used, could lead to a diminution of public wealth, although individuals might be enriched in the process (see especially, Ibid., chapter IV). Despite the claims made for Lauderdale as an early proponent of the theory of effective demand (Hansen, 1951, chapter 14), there is little doubt that Lauderdale failed to logically demonstrate the paradox of saving, mainly because he confounded the over-production of capital goods with the attempt to increase savings in the form of financial assets such as government bonds (Paglin, 1961, chapter IV; Paglin, 1987). However, Lauderdale's application to Indian affairs of his idea of expansion or contraction of aggregate demand as a governing cause of enrichment or impoverishment of nations was largely free from this kind of confusion.

Lauderdale's inquiry into the East India Company's affairs was provoked by its failure to honour the commitments it had made at the time of the renewal of its charter in 1793, and by the fact that the Company had again been obliged to borrow in India on a large scale (these debts, however, were redeemable in England) in order to cover the shortfall in its territorial revenues and procure its 'investment' (Lauderdale,

1809, pp. 1-4). Lauderdale's active hostility may have been aroused by the circumstance that his appointment as Governor-General in India had been blocked by the directors of the Company (Barber, 1975, pp. 115-7). One major failure of the Company was its inability to generate enough demand for British manufactures in its Indian territories. Lauderdale attributed this failure to the process of impoverishment of the Indian people under the Company's government. The basic criterion Lauderdale used for assessing the performance of the Company's government in India was formulated by him in the following way (Lauderdale, 1809, p. 13):

A system of Government, generally speaking, is best to be judged of by the ease and affluence of those who are governed, and by the probability it affords that the enjoyment of these blessings are [sic] secured against interruption from internal commotion and external attack.

Lauderdale was not going to pick out the faults of particular individuals, or simply blame the Company for either engaging in wars of conquest, or having to incur further debts in order to honour its obligation to the Parliament. He quoted Warren Hastings, who, 'in reply to the instructions of the Court of Directors prohibiting all schemes of conquest and enlargement of dominion', had pointedly asked, "If the internal resources of a state are not equal to its wants, where can it obtain immediate relief but from external means?" (Lauderdale, 1809, p. 25).<sup>7</sup>

According to Lauderdale, 'the sure operation of the intercourse' between Britain and India was to impoverish the latter, and 'to disqualify it from sustaining the increased expenses' that the intercourse led to, and therefore, it was 'to the system itself we must look', for the violation of the principles laid down by the Parliament and others (Ibid.).

Lauderdale then gave a detailed review of all the wars of the Company since the days of Hastings, and estimated the gains in territory and/or tribute made by the Company in each case. His sad comment on this history was that as regards the Indian rulers 'the object of our friendship and our enmity has been the same, whether flattery or force was the

means, extension of dominion has been uniformly the end' (Ibid., p.28). So Lauderdale, no more than Burke, was a believer in the right of conquest or rule simply by the virtue of a higher level of 'civilization' - a right that James Mill was to assert explicitly or implicitly in 1817.

Lauderdale did not consider the monopoly exercised by the Company as 'the most pressing' or 'the real' evil from which the demand for British manufactures in India suffered, claiming that even the extinction of the monopoly would not produce 'the salutary effect of opening that vent for the produce of Britain, much desired by the manufacturers'. (Ibid., p.133). The real evil lay in the perversion of the normal mechanism of trade into a mere vehicle of remittance of tribute from the conquered territories (Lauderdale, 1809 (as quoted in); Barber, 1975, pp.118-25). This had even been recognized by the East India Company's own Report on the *Export Trade published in 1793*. However, this view of the matter disappeared from later official discourse, not just because, as Barber claimed, Lauderdale was known for his irascibility and his penchant for *making enemies*, but because the extraction of tribute was successfully absorbed into, and obscured by the fiscal and administrative operation of the state : payment of interest on debt contracted in the process of conquest of Indian territories by the revenues of those territories themselves and payment by the Indians for a British army of occupation and a coercive administrative apparatus in India and Britain came to be regarded as normal in the overlord-dependency relationship between Britain and India.

The extraction of the tribute imposed an additional cost through the disturbance of the monetary system within the country. But somehow this aspect of the matter did not receive much attention even in the account of Colebrooke and Lambert (1795) although their work was in many ways quite penetrating in detailing the disturbance caused by the innovations introduced by the British. For example, Colebrooke pointed out the paradoxical effect of abolition of sayer, a variety of internal tolls levied by the local rulers or magnates in return for protection and regulation of markets. When the sayer was abolished, markets disappeared from many regions of Bengal (Colebrooke and Lambert, 1795, p.48, see also Bagchi, 1992b). In this case, deregulation led to de-commercial-

ization. The effect of demonetization of *cowries* and introduction of higher value coins, or later, the notes of the Bank of Bengal in causing a scarcity of media of circulation and impeding trade was recorded in many official documents (for details see Bagchi, 1982, and Bagchi, 1987. chapters 2 - 5).

### 19. The critique of colonialism submerged in apologetics of colonial rule as a discourse of political economy

Burke had introduced a theme which did not surface in any official discourse for a long time. This was the decline of Indian mercantile capital as a result of the coercive monopoly exercised by the East India Company, and of the tribute extracted by its government. There was a further factor which would make Indian mercantile capital, especially in the regions penetrated by the British at an early stage, highly dependent on the favour of the British officials or British merchants. As the *Ninth Report* put it: '... the Natives can hardly trade to the best advantage (your Committee doubt whether they can trade to any advantage at all) if not joined with or countenanced by British subjects' (Burke, 1783, p.269). The advantages British citizens enjoyed just by the virtue of being British easily congealed into a system of racialism with distances deliberately created and automatically assumed between British citizens or Europeans in general, and Indians and had a permanent effect in rendering competition between Europeans and Indians an unequal one so long as British rule over India endured.<sup>8</sup>

We have briefly sketched above the malign effects of the drain or the tributary relationship between India and Britain and the systematic discrimination against Indian capital built into the pattern of British dominion. There was yet another set of pressures building up against Indian artisanal manufactures, and hence against any possibility of the extension of division of labour in those fields translating itself into technical progress and thereby allowing India to make any headway in competition with the burgeoning British industrial exports. This factor was a systematic pressure to convert India into a source of raw materials and a market for British manufactures, and to suppress Indian manufactures

ever such competition could pose a threat. The Ninth Report *analysed how*, in order to appease producers of British silk fabrics, the East India Company systematically discouraged the production of silk cloth in India and diverted the output of raw silk into the production of silk yarn instead (Burke, 1783, pp.253-8). In the case of cotton cloth, most varieties produced in India were already more or less banned in Britain under sumptuary regulations or prohibitive tariffs. With continued advances in British machine-based technology for spinning and weaving cotton and with the reduction of most Indian weavers within the Company's territories to a condition of 'vassalage' of 'servitude' (to use the language of official correspondence : cf. Warren Hastings to Richard Barwell, 10 June, 1774, Add. Ms. 29225, f. 316, India Office Records, quoted by P.J. Marshall in Burke, 1783, p.258n), British manufactures of yarn and less definitely, of cotton fabrics, were outpacing Indian artisanal output in terms of cost and price. The bleak future of Indian handloom production was already partially foretold in Colebrooke and Lambert (1795). Soon after the abolition of the Company's monopoly of trade with India, Indian fabrics disappeared from the Company's 'investments' and hence exports from India to Europe. With Indian cloth suffering from reverse protection compared with British fabrics (Trevelyan, 1835; and Dutt, 1906, chapters XIV-XV), the same fate overtook a very large fraction of Indian handloom produce directed towards the domestic market as well.

The East India Company's government raised the major fraction of its taxes from land. As the *sayer*, or the *internal* revenue was reduced or abolished, the weight of land taxes in total tax revenues of the government very probably increased by the end of the century. Such a trend was quite the reverse of what was happening in England during the eighteenth century, and at least some British observers were aware that it might not be the best policy for promoting the prosperity of the country to burden the peasant with a heavy tax demand. For example, Henry St. George Tucker, who rose later to be the Accountant General of Bengal or the official looking after the finances of the Company's government, and became the effective founder of the Bank of Bengal, discoursed in 1790 (in his letters to Thomas Law) 'on the advantage of raising the principal revenue of the country from customs-duties upon manufactured articles rather than resorting for the supplies of the State, exclusively to an immod-

erate land-tax' (Kaye, 1854, p.62). However, this programme of raising more taxes through customs duties could not be implemented because (a) the importers and exporters were the foreign merchants who were also the rulers, (b) the base of domestic manufactures on which the excise or internal customs duties could be imposed was either stagnant or shrinking, and (c) the recovery from the famine in 1770 was leading again to a fast extension of cultivation and hence the land tax.

There was an intense debate on the form the land tax should take from the 1760s (Ambirajan, 1978; Ascoli, 1917, Bagchi, 1992c; Dutt, 1906; Firminger, 1917-18; Guha, 1981; Stein, 1989; Stokes, 1959). The basic issues debated were whether there was any private property in land before the advent of British rule; whether the big tax-farmers (who were called 'zamindars' in Bengal, but the word 'zamindar' meant holders of different kinds of property rights in different parts of India) had a claim to the land revenue; whether the land tax should be exacted from the large tax-farmers, or the actual occupiers (called raiyats or ryots). *The British* ultimately introduced different forms of land tenure, viz. the zamindari or *Permanent Settlement* with tax-farmers in Bengal and Bihar and the raiyatwari *settlement or* settlement with recognized occupiers (but not necessarily with the actual cultivators) in southern and western India. One thing the British rulers did not do was to institute unrestricted private property in land, except in some districts earmarked for opening up by Europeans growing tea or coffee under a plantation system (Bagchi, 1992c). This basic difference between the British Indian land tenure systems and land tenure in Britain in the eighteenth and nineteenth century was obscured in the literature.

James Mill's *History of British India* has been seen as a document which challenged all earlier ideas of a developed civilization in India, especially before the advent of Turkish or Mughal ('Muslim') rule in India (Barber, 1975, chapter 8; Majeed, 1992). Even before him Hegel, in several fragments written over the period 1797-1800, seems to have challenged the notion that a non-European nation could have any history of progress or cultural development (Avineri, 1972, p.8). Hegel developed the same basic ideas in his *Lectures on the Philosophy of History* (Avineri, 1972, pp.224-5). However, it was Mill's way of dealing with these

issues that became part of the standard orthodoxy. While Mill's denigration of all non-European civilization was noticed, what was not noticed was the singular manner in which he dismissed all issues relating to the actual mechanism of working of markets – issues that were central to Burke's idea that markets must be moved by the energies of the people who work them and who are affected by them. What has also not been noticed is that beyond the idea that the British rulers would provide law and order to the Indians, Mill had no concrete proposal for 'civilizing' them. The nearest he came to it was to suggest that Europeans would invest in India and familiarize the Indians with modern techniques and methods of organizations (Barber, 1975, chapter 9). It is no wonder that Thomas Babington Macaulay who had been such a severe critic of Mill's essay on 'Government' in the *Encyclopaedia Britannica* should have greatly admired Mill's History of India. *But Macaulay* had a programme for bringing the light of European civilization to Indians. Mill would not commit himself to anything which would involve additional expenditure on the part of the Company's government. In that sense James Mill was a perfect proponent of 'negative freedom' as far as India was concerned: but, the big brother of a government, manned almost exclusively by foreigners at the top and controlled by a foreign legislature, would be deciding everything relating to the zone within which that negative freedom would be exercised.

The debate between Hume, Tucker and contemporaries as to whether free trade would equalize the fortunes of rich and poor nations became irrelevant as tribute remittances took the place of trade, and fiscal exactions replaced commercial profit in the relation between the conquering rich and the conquered poor. The fiscalization of the tribute and the conversion of all expenditures into a self-ransoming debt to be serviced by the conquered peoples neatly excised questions of political morality when it came to relations between the ruling nation and the ruled. The subversive agency of a full-blown political economy in which politics defined the context within which economics worked was suppressed in the official discourse and political economy became primarily a discourse of mastery or dominance. It took the explosion of Marxism and resurgent nationalism in the context of a global network of imperialism for the subversive power of political economy to manifest itself again.

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## Footnotes

1. This was a chair of modern history and political economy at East India College that was first located at Herford but was soon moved to Haileybury.
2. Pocock (1985m p.159) is thus slightly wrong in suggesting that Tucker owed his hatred of wars for the sake of trade to the experience of having lived through the Seven Years' War (1756-63).
3. More than a decade of Burke's parliamentary career was devoted to Indian problems; his Indian writings took up seven of the sixteen volumes of his collected works that was available prior to the edition of the *Writings and Speeches of Edmund Burke* with Paul Langford as general editor and published by Oxford University Press. Macpherson (1980, p.30) also mentions the well-known fact that Burke himself regarded his Indian work as the most important achievement for which he should be remembered. Yet there is virtually no discussion of Burke's views on India or their relation to the rest of his corpus in Macpherson (1980) - the total number of pages in the text of 80 pages devoted to India being less than three. The only recent author outside the circle of specialists interested in South Asian history to have devoted proper attention to Burke's writings on India is Conor Cruise O'Brien (O'Brien, 1992). This is symptomatic of 'silence' about the Indian concerns of many other eighteenth and nineteenth century political economists among the current students of economic and political thought. For example, Morton Paglin, in neither his book on Lauderdale and Malthus (Paglin, 1961) nor his entry on Lauderdale in the *New Palgrave* (Paglin, 1987) mentions Lauderdale's tract on India (Lauderdale, 1809). Similarly, in his two-volume book on John Stuart Mill, Hollander (1985) does not find it necessary to discuss any of Mill's writings on India although the latter spent all his working life as an official of the East India Company's establishment in London.

4. It is interesting to note that James Mill's views in this oral evidence have very little relation to the detailed analysis of his *History of India*, which was first published in 1817 and which was republished in 1826 in a third edition, the last to appear in Mill's lifetime (Winch, 1966, p.397). In Vol.VI of the *History* (Mill, 1817, Vol.VI, pp.470-480), Mill formulated a criterion for the financial success of a colony which was exactly the opposite of the one formulated in 1795 by Colebrooke and Lambert : 'If India affords a surplus revenue which can be sent to England, thus far is India beneficial to England. If the revenue of India is not equal to the expense of governing India, then is India a burden and a drain to England' (*Ibid.*, p.471). If a new territory was to be acquired through conquest, 'the new territory must increase the charges in a degree adequate to the interest and redemption of the whole sum expended in the war, otherwise the acquisition is a positive loss' (*Ibid.*). Judged in this light, he found all the acquisitions under the Marquis of Wellesley's administration a loss-making proposition. He also found that the total debt of the East India Company had increased enormously between 1793 and 1805. But this, of course, did not lead him to conclude that England should give up those acquisitions because he had enunciated the principle of 'self-ransoming' on the part of the conquered territory.
  
5. Anthony Lambert, a free British merchant working in Calcutta wrote the part on the external commerce of Bengal in Colebrooke and Lambert (1795). When this book was revised and published in a new edition by Colebrooke in 1804, the part on external commerce was omitted : Lambert had died in the interval.
  
6. The 'drain' of wealth from Bengal through the tributary operations of the East India Company was estimated by Lambert at £. 1.5 million per year on an average over the period from 1765 to 1793 (Colebrooke and Lambert, 1795, p.246).
  
7. Hastings' oft-quoted remark was made in a minute dated 10 January, 1776.

8. For discussion of racialism in creating barriers against competition by Indians, see Bagchi, 1972, chapter 6; for discussion of the way in which local Indian capital was decimated in Bengal in the nineteenth century see Sinha, 1970, and how it managed to survive in Bombay see Bagchi, 1972, chapter 6 and Bagchi, 1987, chapters 2-6, 12-14.

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