

**THE PORTUGUESE, INDIAN OCEAN
AND EUROPEAN BRIDGEHEADS 1500-1800:**

Festschrift in Honour of Prof. K.S. Mathew

Edited by:

**Pius Malekandathil
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ASIAN STATES AND MERCANTILISM IN THE INDIAN OCEAN ECONOMY: BENGAL NIZAMAT AND THE ENGLISH COMPANY IN 18TH CENTURY.

Ujjayan Bhattacharya

East India Company and the Mercantilist Doctrine and Practice.

The chartered Companies of Europe, like the VOC and the English East India Company, and their activities in Asia, understood from perspectives that followed the very definition of “mercantilism” has posed certain problems for the historians. About two and a half decades ago K.N.Chaudhuri pointed towards the limitations of the theoretical approach of formal systems or economic models in understanding the realities of international trade.¹ Such theoretical models would invariably interpret mercantilism in a limited sense, as it would take into account mainly facts which could be located within the boundary and parameters set by the data, or arranged on, a time-series of exports and imports, or the balance-sheet of profits and dividends showing the continuous logic of development. This interpretation was further based on the premise that the discourse of commerce pursued by the overseas chartered companies was, that, wealth increased *only* if price differentials could be successfully worked upon, and led to further expansion of investments and markets. This was virtually a corollary to the basic bullionist doctrine that wealth of nations increased with inflow and retention of treasure or precious metals and decreased with its outflow.

This notion was widened or given more amplitude, later, when national wealth was not treated synonymously with treasure or precious metals only, but with indicators of the economy that secured the sovereign position of the national state.² With this began an attempt to understand a more aggregate entity and a process, that is accumulation of capital. However the quest for glory and power overseas, through trade, navigation and if possible, conquests, had to be matched by an export surplus in the balance of trade. That was the main thrust of the mercantilist argument, which in moments of crisis of the national economy turned out to be a critic of Company trade.³ However, as Chaudhuri argued, that contemporaneous polemics of the seventeenth century, on the alleged economic effects of the East India trade was apt to overlook the long term structural changes taking place in English overseas trade particularly in the area of re-export. Thus it would not be an exaggeration to state that, the growing and accumulating discourse on national wealth and power which goes by the name of “mercantilism” had a few gaps to be filled in, occasionally by the experience from realities. But, still, even for the writers of the eighteenth century with a mercantilist slant, equation of wealth with money remained the basic idea. Though for some mercantilists the reason for scarcity of money was in the decline of trade and not the other way round.⁴

Thus to draw upon Chaudhuri’s arguments regarding unreality of models in explaining realities of international trade it is necessary to locate the gaps in the mercantilist arguments. This is to be located in the gap between the explanation provided by formal theoretical models of international trade and the ideology and practices of the corporate body, the East India Company in enhancing and consolidating its gains in Asia. Trade was of essence in any mercantile situation, but according to the mercantilist doctrine national power resting to a great deal on the export surplus obtainable through commerce, could not be a function of trade simply. It is in this context that Chaudhuri’s description of the Company as a “perfect example of what we today understand as the spirit of mercantilism”, particularly “in

it's policy of harnessing political power and privileges to commercial purpose", becomes apt as a characterization of the corporate entity, a state within a state. In Chaudhuri's view successful trading strategy meant "location and establishment of the sources of supply, construction of ships, the appointment of able men, a regular exchange of correspondence, and above all an operational plan that took into account the spatial demarcation of economic regions and temporal constraints of long-distance commerce".⁵

Further, the Company could rely on the diplomatic support of the Crown and its ministers to bring pressure on foreign European governments to subdue small rival companies on the Continent. In India and elsewhere in Asia, it had established a number of trading settlements which possessed semi-sovereign status, distinguished by an elaborate procedure of government, courts of law, a municipal system, and a military force. In this circumstances it is not surprising to discover that the Company's organisational structure and bureaucratic apparatus shared many of the attributes of a great department of state.⁶

Moreover, though, along with the possession of a legal monopoly, joint-stock capital structure of the Company gave it an essential continuity in Asian trade, that cannot be taken as sole criteria for Company's success in Asia. In fact there is strong case for arguing that its performance should be judged against the success obtained by those who traded without these trappings. As Chaudhuri pointed out that already by the end of the 17th century the monopoly of the Company had been diluted, and many individual trading voyages were successful.⁷ Therefore what mattered in the trading world of Asia, was not only successful business ethics and acumen, but a vast number of other factors.

All the elements of strategy were influenced by three other factors of great importance: nature of demand in the European markets, the attitude of and relation with Asian states and merchants, and, supply of bullion for procuring Asian

commodities. Relation with Asian states and merchants was of vital importance so far as the presence and activities of the Company on the coastal and the hinterland trading stations were concerned. So also was the question of granting tariff concessions or exemptions on a preferential basis. The question of demanding tariff concessions, or making semi-sovereign claims in settlements, or armed trading instead of peaceful trade were issues on which the position of the neither the chartered companies nor the Asian states were very unambiguous. There was also a very remarkable difference between Indian and European perceptions regarding important questions of international relations. Those questions that were considered important in contemporary European polemics and debates, were hardly of any importance in India. Thus the response of the Indian rulers hardly conformed to any pattern. On the other hand the questions were never categorically settled by the European Companies either. If for Sir Thomas Roe trading in peace could be most profitable, the argument in favour of obtaining the 'price' of protection from Asian traders was equally strong, as it could fetch high profits. At the same time acts of war could well be economically unprofitable for the Company.⁸

Mercantilism and the Asian States

Having reviewed the notion and practice of mercantilism from the angle of European chartered Companies, it is necessary to join the issue from the other angle, that is of the Asian states, too. In the case of former we have drawn upon the arguments of K.N.Chaudhuri mainly. Mercantilism in the context of the Asian states, has been conceptualised in a different sense by Sanjay Subrahmanyam. This understanding is derived mainly from observations of the behaviour of Asian states, and the European experience of it. "Mercantilism" here "is an ideology wherein the comportment of the state is conceived of as analogous to that of a merchant: the state for the mercantilists must behave *like a merchant*."⁹ However this does not mean that state would withdraw itself from trading and economic activities in the society. On the contrary the state would be required to conduct

itself through coercion, control and influence on trading partners and producers.¹⁰

Thus the notion of mercantilism and free-trade does not follow the stereotypical incompatibility or contradictoriness as in the western discourse. Rather quite paradoxically, the idea of free and unfettered trade within Asiatic kingdoms was advanced by European Company servants¹¹ - who one would presume to be guided by the mercantilist mind-set. This is much in evidence in the records of the East India Company of late 17th and 18th centuries.¹² By the time the Company took over power in the mid-eighteenth century this demand for free-trade, particularly in the domain of private trading, had its resonance in the corridors of power of the official establishment of the East India Company.

However the comportment of all states in their attitude to traders in the Asiatic littoral was not so "mercantilist". One ought to note that rulers of stretches of the western coastline, that were rather infertile, often extorted a share of commodities which passed by the coast.¹³ Then again, there were factions in the courts of rulers - as in Bengal in 1521 - who confronted each other on the question of state policy towards trade and overseas traders. There is definite evidence to suggest that in 1521, that there was a distinct ideologically oriented group that urged assertion of state power over the Portuguese - for ideological reasons - at the expense of trade.¹⁴ However in Bengal the faction favouring trade and peaceful compromise with Portuguese included the Sultan himself and prominent members of the ruling class. Thus the Asian kingdoms too were divided amongst those who favoured unfettered trade and those who did not.¹⁵

Thus in the taxonomy of states into agrarian-based, prebendally organised states, and trade oriented ones,¹⁶ Bengal represented the typical case of the period, that was one occupying a space between the two ends of the spectrum or distribution of states. Thus historically the rulers of Bengal have been mercantilists, or had developed a comportment quite comparable to the merchants, since the Hussain Shahi rule in Bengal. The seventeenth century examples of the same sort were Mir Jumla,

Shaista Khan and Prince Muhammad Azam. The latter carried out trade under royal prerogative or *sauda-yi khass*.¹⁷ However in almost a parallel manner there was growing assertion of state power over trade and traders, and use of coercion and influence over traders and producers.¹⁸ Very often this took the form of overt hostilities, on pretexts different from trade, against Europeans, whose primary objective was trade. The Portuguese were at the receiving end of such hostilities during the last days of Hussain Shahi rule, and, then again during the Karrani rule in 1562, and the Mughals in 1632. The English came in for such treatment under Shaista Khan. It was these engagements which began the curious discourse regarding trade in the Asian world, and on the attitude of the rulers of Asian states towards it. Sanjay Subrahmanyam stated that, "it is almost as if these traders, usually employees of chartered trading companies, whose very basis was state sponsored monopoly, are articulating an early argument for the 'imperialism of free-trade'."¹⁹

This encounter became protracted as the prerogatives of *subahdars* and *nawabs* became entrenched in internal trade, and as the interest of the Companies too veered around procurement of investments from the producers and merchants directly from the hinterland. For the better part of the 18th century there is not much evidence regarding the *Nawabs* of Bengal exercising the rights of *sauda-i khass* or being involved in external trade: But there is evidence that internal, *sair* duties formed an important component of the revenue base of the *Nizamat*, and trade in products such as salt, betel-nut and tobacco - farmed out amongst royal favourites - were *Nawab's* monopoly.

The Indian Ocean Region and Bengal's Economy.

Ever since the "basic alteration in the organizational structure of Asian trade" in the fifteenth century, which was based on the segmentation of Asian trade into different maritime geographical divisions,²⁰ Bengal's internal economy had closely responded to impulses of overseas current. By the days of the early colonial occupation Bengal's internal economy had developed a closely integrated internal trade network. One should

take note of the fact that during this period significant changes were taking place in the province of Bengal, internally. The agrarian frontier of the province moved eastwards, as new river systems gave access to new tracts of land and deposited on them the generative silt that was necessary to fertilize the soil. Areas formerly covered by dense forests were transformed into rice fields, and provided the basis for settlement of new agrarian communities.²¹ The western part of the delta in which was located the major trading centre of Satgaon, slackened its pace of growth, as did the northwestern part of the province. These developments since the fifteenth century made the economy of Bengal an adjunct to its adjacent maritime zone the Bay of Bengal. However antecedents to this development, in the tenth and eleventh centuries suggest that south-east Bengal had strong linkages with neighbouring Arakan where gold and silver issues from Bengal were in circulation.²² Moreover Bengal procured precious metals from Pegu and south-east Asia in exchange of textiles, earthenware and rice.²³ However there was a recession in this commercial contact between 11th and 13th centuries, and this situation underwent a transformation after 1400 when Malacca gained sufficient importance as stapling centre.

Thus it was with the rise of Malacca that one finds the Bay of Bengal, with the province of Bengal situated at its northern edge, became an economic unit.²⁴ The other alteration that took place in the Indian Ocean economy was the alteration in the status of ports like Calicut and Cambay from victualling and stopping points to terminal points.²⁵ By sixteenth century Bengal was supplying textiles, rice, sugar, conserves and *sinbafo* textiles within the Bay of Bengal orbit up to Pegu and Malacca, and imported from that zone Borneo camphor, pepper, Moluccan spices, sandalwood, Chinese porcelain, silk and most importantly silver.²⁶ Mukundaram Chakrabarti in *Chandimangala* of the sixteenth century gave a vivid description of exchange taking place in the story of the merchant or *sadagar* Dhanapati.²⁷ The links of the province with middle and western Indian ocean were quite old in the 16th century, as we know Arab traders were visiting Bengal since three centuries earlier.²⁸ The intervention

of the Portuguese in the course of sixteenth century probably heightened the contacts. The items exported included mainly staples, while imported commodities were pepper, *cowry*, and silver that was much needed in Bengal. Thus Bengal's position as a supplier of staple products to parts of Bay of Bengal was confirmed by the 16th century. The fact is well attested from the list of items that the King of Bakla pledged to offer as tributes to Viceroy of Goa. This included rice, butter, country oil, white sugar, textiles and tar.²⁹ The export of rice from Bengal was an important aspect of Bengal's external trade in the 18th century. This item was exported to south India and Indonesia, and around 1773 Noakhali exported 115000 maunds of paddy out of its total production of about 500000 maunds, and Chittagong exported 550 tons out of 40000 tons.³⁰

The development of the region or the province of Bengal as an important export zone in the Bay of Bengal and Indian Ocean economy, at large, did have a correspondence to its emerging stature as a state whose members had mercantilist pretensions (or comportment), and determined its varying relations with merchants, especially European commercial interests, beginning with the Portuguese in the 16th century, down to the English in the 18th century. From 13th century till the end of the 14th century when Bengal was under the rule of the Turkish dynasties one does come across references to maritime contact with Bengal of the merchants from west - the Arabs - and the east - the Chinese, but one is not on sure ground about the role of the state and its members in maritime trading endeavours. We have it on the good authority of M.R. Tarafdar that maritime trade in this period was sluggish till the rise of Malacca at the beginning of the fifteenth century.

The situation was certainly different in the late fifteenth and sixteenth century when one finds that the Hussain Shahi dynasty maintaining extensive trading contacts with ports down the littoral of the Bay and other regions. The ruler of Bengal as the anonymous Portuguese interpreter of the 1521 mission narrated, owned ships and sent merchandise to Malacca, and even had an admiral to conduct trading and maritime

operations.³¹ For such a state it was indispensable to develop an awareness regarding maritime politics. And from this point of view the accommodation of Portuguese was vital, as the presence of their fleet on the seas and ports was always an important consideration. One finds further evidence of the fact that for economic reasons particularly, external powers and the rulers of Bengal were inclined to deal with each other, though on an unequal basis. This evidence is provided again by the treaty between Paramananda, the Raja of Chandradwip or Bakla, and Dom Constantino de Braganza, the viceroy of Goa, in 1559. The viceroy agreed to provide four *cartazes* to the Raja for trade to Malacca, Goa and Ormuz against the supply of provisions and permission to the Portuguese to trade duty-free in the kingdom.³²

Engagement with Europeans and dealings with them in the internal sphere was heightened in the 17th century due to a number of factors. One was the involvement of state officers and members of the ruling class like Abul Hassan Asaf Khan, Mirza Muhammad Ardestani, Mirza Abu Talib Shaysta Khan and Prince Muhammad Azim. Some of them used the royal prerogative to trade in certain products. This was called the *sauda-yi khass*. The second important factor was the inflow of precious metal or bullion through the channel of investments made by the Dutch VOC, and the English East India Company. The European companies requirement of converting bullion into *sicca* rupees or other currency of the region, necessitated access to mints, which were under royal control. This was very often a source of irritation for the companies. The third important factor was the ebb and flow in the procurement of exportable commodities and investment through a network of agents, and merchants which often came into conflict with royal rights exact revenue and its and the prerogatives of the state officials.

In the course of these developments during the 17th century, when the mercantile orientation of the members of the state machinery became quite pronounced, the resource base of the state had been expanding. Extension of frontiers of agriculture in the eastern side, monetisation in the countryside particularly

through taxation measures, increase in output and employment in the secondary sector, and consequent growth of demand internally as well as externally, had created conditions for further surplus extraction through the revenue mechanism. Land-revenue and revenue from the collection of duties on movement and sale of goods formed the mainstay of government's finance, and the source of royalty's personal consumption. Thus one notices that in the 18th century there was a shift in the posture of the ruling group - from a mercantilist comportment to the position of a revenue farmer in land and internal trade revenue, both. One does not come across much evidence of royalty making investments in overseas trade or engaging in financial dealings. Such functions were taken up by specialised merchant houses and financiers like the Jagat Seth, Omichand and Armenian merchants like Khwaja Serhud and Khwaja Wajed who had close links with politics of the *Nawab's* court.

Since the conjunction of Bengal's economy with the world-maritime cum economic sphere through the Portuguese in the 16th century, or even earlier, the region had provided textiles, saltpeter, opium and other items of provision within the intra-Asian and trade to Europe. However empirical data on the subject is scanty and scattered. For the seventeenth century we have data more systematically arranged, and from this we can say that the internal economy of Bengal was active and able to provide for the European demand, though volume of trade with them was growing slowly. The average share of Bengal goods in English trade was 22% between 1674 and 1687³³, while that in VOC's trade with Japan - a much lower volume of trade than with Europe - was 43.8%³⁴. Share in VOC's trade with Europe was very low. However the eighteenth century witnessed the heydays of Bengal's European trade. Between 1700 and 1720 the share of Bengal in VOC's Europe bound trade was 40%, while for the English the same figure for the period of 1710-1756 was 54%, and from 1725 onwards 58.5%.³⁵ Another side to this picture presented by the export figure was that Bengal goods accounted for a high percentage share in times of low all-India exports. This was true for VOC and East India Company

both. In 1665-66, Bengal goods accounted for 49.4% of a rather small value of goods exported to Europe by VOC,³⁶ and similarly in 1691, 1693, 1694 and 1695 Bengal goods accounted for 45%, 31%, 74% and 95% of the share of a rather small amount of export to Europe by East India Company.³⁷

We can come to a few conclusions from this picture. One that Bengal's share was rising significantly by the turn of the seventeenth century. For the VOC this buoyancy in trade continued till 1735-36, while for the East India Company it continued till 1756, and then after sharp fall in 1757, continued to rise. Second, and this is tentative and impressionistic conclusion - that Bengal was able to provide goods for export during times of political and consequent economic elsewhere in the country. This can be attributed to the relatively stable political condition in Bengal *subah*, compared to other parts of the country in late 17th century.

However one should not lose sight of the fact that, though the same economic forces that had "moulded and shaped the Company's commercial organisation" at the beginning of Company's activities were active in beginning and the later periods of its history in the 17th and 18th centuries, from 1709 onwards a new period had begun. This was on account of the fact that from 1709 onwards the English Company attained a stability and peak of organizational efficiency that needed little fundamental innovation.³⁸ K.N. Chaudhuri stated that :

The essential continuity of the Company's post-1709 history is revealed in the maintenance of the same trading centres, operational plans, and procedural rules. It is doubtful whether a comparison of the Company's structure between 1710 and 1750 would show anything other than differences of finer details. The preceding period, on the other hand, was one of vigorous experiments, of continuous search for new trade routes, of new commodities, and fresh outlets for both exports and imports.³⁹

However Chaudhuri's contention is that Company had been emerging strong from the mid-17th century onwards on account of a greater capital stock and financial liquidity.⁴⁰

The sluggish nature of the trade in the early and mid 17th century could be partly due to the nature of relation between the Company and the government in Bengal. The English translations of the *nishan* of Shah Shuja, the *farman* of Shaista Khan, and, their address to Mughal authority, mentions various wrongs, abuses and oppressions upon them but never touched upon any question of principle or norm. They claimed through these translated *nishan* and *farman* that they had been granted redress, and that their claim to trade without oppression from the governors and custom-free had been admitted by authorities. But in case of any violation of orders by the local governors, who they alleged had hindered trade with the country merchants, demanded English at their chosen rates and demanded 4% duty on all goods imported and exported, their plea was nothing more than an intervention by the central authority who would give orders for resumption of "free", unhindered and normal trade.⁴¹ The main purpose was to clear the routes of trade, by a message through the *farman* to the local governor that trade of the Company would pass through a particular route. The translated *farman* from Shaista Khan had some special features like instructions to local authorities to help the Company to recover debts from weavers or merchants, or at least not grant them protection of the government.⁴² To what extent these instructions had been obeyed is not certain. However the representation before the Mughal in 1686 put the record of exactions and obstructions in quite straight forward manner. It detailed the conduct of the governor of Patna in demanding presents, and the losses of the Company. It detailed particularly the problem the Company faced with regard to the *pycars* refusal to bring cloth according to the contract price or the *bazar* price, or, supply of low quality cloth with the support of local authorities especially the courts.⁴³ Such instances of obstruction of trade or personal harassment was more openly represented and not clandestinely settled - at least not on record - as in the eighteenth century. The Company tried to meet its objectives perhaps by adding a twist to the language of translation which could further their claims, but could hardly display any strategic maneuver. By the mid 18th century Company was in a position to do that.

An important factor influencing the relation between the chartered Companies and the government in Bengal was the participation of Mughal state officials in trade, in their private capacity. It was an indication of the growing commercial potential of the *subah*, which could not have excluded participation of European trading companies. Nor could the inevitable tensions with them be avoided. The state officials used their official position to enhance their commercial interest. Amongst them one finds a number of small and big officers like *subahdar* Shaista Khan, his sons Buzurg Umed Khan and Abu Nissar Khan, the *dewan* of Orissa, the *faujdar* of Hooghly, and many other officers⁴⁴. This was evidently a reflection of the fact that commercial possibilities presented by the province's resources were high. However assuming that there existed a "certain amount of slack" in the economy, as Om Prakash has postulated, the investments and exports by the companies did contribute to the enhancing production and commercial possibilities, through an increase of output and income in the economy.⁴⁵ From the estimates made by Om Prakash, of the looms required to produce textiles, and full time jobs created by the raw silk production sector we know that there was a considerable expansion of output and employment in Bengal's economy by the late 17th century, when the province emerged as a major trading partner of Europe.⁴⁶

The major implication of the growth of Company's trade in Bengal was the displacement effect on Asian traders in Bengal. First this had political implications, important for understanding the nature of relation and tensions between the Company and political authorities in Bengal. Second, the nature of displacement also raises the question regarding the changing nature of the political ruling class of Bengal. In the first half of the 17th century the merchants operating from Bengal, particularly in the eastward ventures, were Mughal state officials.⁴⁷ Om Prakash has argued with enough evidence, that the outstanding feature of the decline of this trade in Bengal was the changing participation of these officials. Their domination in trade had continued from 1653 to the 1680s. But from the late 1690s "state officials virtually dis-

appeared from this trade".⁴⁸ This was in spite of the fact that the volume of trade carried on by ordinary merchants in this direction did not decline. Similarly in Bengal-Maldives trade, though it grew around the turn of the century, the participation of state officials declined markedly. Om Prakash has argued that this change was not on account of either a growing dominance of chartered companies trade in the 17th century, or, the pass policy on maritime routes that the VOC operated from Batavia. He has left the question of displacement rather open-ended, linking the disappearance of Mughal state officials in trade to the developments that took place in the domain of relation between the state and the economy in general, that unfolded itself as the *jagirdari* crisis which involved a flow of incomes of the *mansabdar* officials.⁴⁹

East India Company's Response to Changing Economic and Political Compulsions.

A feature of the consultations of the English East India Company was its pre-occupation and engagement with political authority which they perceived as peculiarly oriental, and hence despotic. Further, they found this characteristic of Asian states incompatible with what they held to be normal commercial ethic. This perception became acute in the post-Plassey days. The clamour for "freedom" reached a crescendo during the virtual revolt led by private trading lobby amongst Company servants in Vansittart's Council, during Mir Kasim's regime.⁵⁰ Though it is possible to suggest that such characterisation of governments in India was largely among English private trader circle, that was in conflict with different states in the eighteenth century, the Company's official view also veered around this idea. It was that the principle of governance in Bengal (or India) was arbitrary and it "ruined the country, depopulating many towns and villages" and hence antithetical to sound economic policies that could further trade.⁵¹

It can reasonably be argued that this idea was a mid 18th century construction in the Company's official viewpoint, and a reflection on the growing practice of revenue farming within

the settled revenue domain of the Nizamat of Bengal. This was also a part of the growing discourse in the Company circle regarding the legitimacy and illegitimacy of institutions, legal documents and finally the locus of sovereignty in Bengal (and India). Thus the growth of the practice of revenue farming and the construction of an official viewpoint based on the experience of it played an important role in the formulation of policy regarding commercial strategies in mid 18th century involving procurement of investments through *dadni* or contract system to direct procurement through *gomastas*.

The perception of authority and the nature of construction it had lend itself to, registered a marked change in the mid 18th century. In 1753 the Board in Calcutta recorded that extortion were very unwarrantable, especially as those had been practiced without any legal authority,⁵² while John Zephania Holwell talked about the Nizamat being in a virtual state of war with the Calcutta settlement of the East India Company, when it decided to impose an embargo on the importation of grain into the settlement.⁵³ The markedly acerbic nature of these minutes were caused by many factors. One was that the grant of the *farman* by emperor Farukhshiyar to the Surman Embassy in 1717 made the Company insist on prerogatives which they deemed they were “constitutionally” entitled to.

Second, as the Company’s settlements came to be located further down than Hooghly since 1704-05, there had been the problem of hold-ups and exactions by *chowkies*, even on the Company’s goods. This added to the delays in procuring goods for which investments were made. It resulted in accruing balances, particularly in a situation where made.⁵⁴ Holwell felt the necessity of representing to the *Nawab* in the strongest possible terms the nature of oppressive exactions of the several *chowkies* that rendered the merchants incapable of undertaking Company’s business in future.⁵⁵ The problem was more acute in the *aurungs* up the country, while in those close to the settlement of Calcutta there seems to have been fewer hold-ups.⁵⁶

Thirdly, the farming of revenue through collection of duties from trade in grain to Calcutta from Bakharganj (or Bakla),

and other adjoining areas of the settlement was an important factor in the relation with authorities in Bengal and formed an important aspect of the construction of its power. The contrapositioning of revenue farming and "freedom" to trade was brought out in the most acute form through this tussle, because the Company's settlement in Calcutta was dependent on supply of provisions from these regions.

Regarding the first point, that is the obligation of the rulers of the country towards the Company, Company officials like Holwell insisted that *Nawab* be always addressed representing the tenor of the *farman* "by which (we) are excused from all taxes whatever"⁵⁷ If the trade continued to be harassed by exorbitant contributions then the Company would be obliged to retract.⁵⁸ The Company demanded that *muchleka* be taken from the farmers of *chowkies* to let all goods with *dastaks* pass unmolested both by land and water. Regarding small *chowkies* adjacent to the settlement of Calcutta, the Board was urged to remove those by force directly as they were construed illegal.⁵⁹

However diplomatic parleys or show of force in some instance or other could not have been a part of long term strategy to continue uninterrupted trade. Hindrances of different sorts came up the way of Company's trade in mid 18th century, and officials of the *Nawab's* court, taking advantage of many violations of treaty by the Company itself laid many exactions on them.⁶⁰ On one occasion the Kasimbazar officials reported that a solution had been reached, but the death of the adopted son of the *Chhota Nawab* impeded all business.⁶¹ On another occasion a demand for a new King's accession to throne was used as a pretext for demanding money,⁶² while on another occasion money was demanded from traders carrying sugar to Calcutta.⁶³

As a general response to the situation the Company had to enunciate a policy. This policy was that of a switch over from the *dadni* method of procurement of exports to a more direct method of procurement through *gomastas*, who were native Bengalis. It may be an exaggeration to state that the change in

the method of procurement was directly a result of impediments to trade, posed by the country authorities. But undoubtedly this factor had played a crucial role. In general however the reason and the context was provided by a falling - though dominant - share of Bengal's goods in exports from Asia to Europe.⁶⁴ In 1754 the share had come down to 41% from 70% fifteen years ago. The amount contracted in one season in Calcutta, in 1753, did not exceed Rs.15 lakhs, which in bygone years had always been Rs. 25 lakhs or more.⁶⁵ However the greater problem was that 85% of this investment was advanced, "within a limited time" and even if the country was free from trouble (i.e. depredation by Marathas) the whole amount delivered and prized would not amount more than Rs.8 lakhs. One of the principal reason was exaction by *chowkies* but the Company wanted a more wholesale change.

This was evident from the opinion expressed in the Board meeting of June 1753. On 10th June 1753 Holwell gave his reasons for dismissing the *dadni* merchants from operation completely and opting for *gomastas*. On the question of risk incurred by the Company in sending money and material to the *aurungs*, he stated that he believed the *gomastas* would be as reliable as *dadni* merchants, because the latter had always carried on business at the *aurungs* through their own *gomastas*. He felt that the government could exact any sum of money at anytime from the Company, but there was no special risk of plunder on the way to the *aurungs*, and the cost of protecting the investment was never very high.⁶⁶

Though the Board averred that the original intent and design of conducting investment by means of *dadni* merchants were founded on good reason, that is, lessening the Company's risk at the *aurung* by advancing money to such merchants as were able to give security for delivery of goods contracted for, these expectations were not fulfilled. This was particularly due to circumstances which were related to the general climate of the politics of the province and exactions by the *chowkies*. Therefore the Board was willing to take into consideration the representation of only those *dadni* merchants whose investments

were not sorted and prized, though ready in the warehouses only if those goods provided at distant *aurungs* where their boats were liable to detention or exaction, could be included in the contracts of the last year i.e. for the recovery of previous year's balances.⁶⁷ But this did not apply to those who procured goods from *aurungs* adjacent to Calcutta where such impediments could have little or no influence.⁶⁸ Those goods were to be received and prized as ready money purchases.

Therefore regarding the new method of procurement of goods the Company set new guidelines. Preference was given to those *gomastas* who had for a term of years been conversant with those *aurungs* to which they were sent.⁶⁹ Holwell was certain that many of such *gomastas* could be employed. They were to be of "proper rank", so as to be "worthy" of receiving the credit and honour from the Company. They should also have a fair character, and should be from a modest background. People of such "rank" were generally found to have greater fidelity and diligence than those of a higher stamp and affluence. They were also required to reside within the settlement of Calcutta.⁷⁰

A point of crucial importance particularly in view of exaction by the *chowkies*, was the distance between *aurungs* and the settlement of Calcutta. *Gomastas* were to be sent to different *aurungs* with orders to purchase goods, as directed by the list of investments on the best and most reasonable terms conformable to the muster.⁷¹ But if the *aurungs* were at a distance of thirty or forty days from the settlement, in which case a large sum of investments had to wait till the purchase was over, it was proposed that a Company should accompany the *gomasta*. In *aurungs* at a distance of five or six days journey from the settlement occasional visits by Board members were proposed. The rules governing the *gomastas* employment were: (a) they should give sufficient security for performance, (b) every *gomasta* appointment be approved by the whole Board, (c) *banian* or servants of any member were not eligible to be a *gomasta*, (d) sorters be sent with *gomastas* to examine the cloth, particularly its length, (e) *gomastas* were to give information of all occurrences in their *aurung*.⁷²

The Board rejected the first application for *gomasta*, that came their way, on the ground that his offer of his son as security was not sufficient, and that he did not offer his possessions in Calcutta seemed intriguing to the authorities in the Board. Many *gomastas* employed by the Company asked them to inspect the cloth that had been purchased, and were instructed to depend on the "country" *gomastas* employed under them. Yet the Company decided to trust the *gomastas* because "honourable Company's money being under their care will be great security for they can deliver it out by small sums and there be no ways of deceiving of them in drawing more out of their hands till the produce of that is brought in".⁷³ Besides, the Company decided to have occasional inspection and watch "for if they are not strictly watched they will in time be both purchasers and sellers to the Company, by entertaining poor *dalals* for their servants by which means they will have the best part of the *dalali* and besides from their buying directly from the weavers will have it in their power to pass the cloth at an advance price and we not able to prevent or detect it."⁷⁴

Thus having fixed the mode of business to be carried out in the interiors of the country along these lines, the Company thus put in place a strategy to combat revenue exactions on their inland trade, and the manipulations of the *dadni* merchants, both. However more exactions took place within the proliferating internal trade revenue or *sair* revenues, and not through the regular channels of customs, the *bakshbandar* and *shahbandar* that controlled "trade by sea".⁷⁵ Therefore along with all the instructions, directions and rules mentioned above, the Board also decided to apprise the Kasimbazar officials of the "motives of our conduct and directed to use all means in their power to obviate any objection or demand. And as the adjacent Rajas and zamindars may have power either to assist or impede our business a proper conduct towards them must be observed according to their behaviour".⁷⁶

But in those days when farming of revenue was the norm, either in response to a financial crisis, or as a means of looking for profit by the officials of the state, there could be no guarantee

against exaction. In 1753 such uncertainties regarding the conditions in which the Company carried out trade were expressed by Holwell in the meeting of the Board :

The Company's business has been and always will be as liable to be obstructed by the government, when their estates are advanced to the merchants as *dadni* as if it had been sent by the *gomastas* of their own *aurungs*.

Further...

Nor has it been at all clear to me that Company would ever have run the risk by sending their estates to the *aurungs* the plundering of which was a method never thought of by the government, nor I am persuaded never will; when it has been determined to exact a sum of money, an unjust pretext for obstructing your business has hitherto been sufficient without their taking a step at once so impolitic and needless - and any risk the Company would run of being plundered by the Rajas, *faujgars* and zamindars is still more improbable, as they are very sure they would in that case be plundered and sold by the government who would want no better pretence for fleecing them.⁷⁷

Thus it was clear that regular levy of duties rather than direct plunder brought more revenue to the state. From such observations we can appraise how nature of political authority was perceived. Observations became even more acute and focussed in its presentation of the nature of political authority, when it reflected on the effect of revenue farming practices on trade in grain and other staples. Substantial quantities of grain were exported overseas to Madras in the early 18th century.⁷⁸ But unlike other commodities exported by the Company through sea-route, grain was liable to exaction and levy of duty by zamindari and government *chowkies* in the interiors of the country. Trade in grain was mostly in the hands of local traders who supplied the markets of Calcutta. Thus in order to keep the settlement supplied with provisions the Company could not have simply depended on the politics of the *farman*, that is questioning

the legality of state action. It now had to take stock of real situation and play the politics of intrigue.

In this politics of intrigue officers of the court of the *Nawab* of Bengal like the *daroga* of the *Pachotrah* emerge as key players. This position was held by Hakim Beg in the mid 18th century.⁷⁹ It seems that the *daroga* was in charge of the operation of a network of *chowkies* within a well defined region where grain moved from areas of production to markets, in southern and central Bengal, through a grid of river-ways. Though the Company records attributed motives to the *darogas* action in an attempt to distinguish him from actual political authorities, it clearly admitted that farming out the revenue posts were a part of the general government policy, and the *Nawabs* were interested in receiving the proceeds.

The farmer of the *ganj* at Hooghly Jibbon Kour and Tilluck Kour laid an embargo on the grain trade in Bakharganj and prevented that from reaching Calcutta, to increase the customs of the *ganj*. They had official support of Murshidabad court which was secured through the misrepresentations made by Kanks Narain, the *dewan* of Aga Bakhar, a substantial landholder of Bakharganj. Aga Bakhar laid the embargo in Bakharganj by refusing permission to the *gomastas* of the Company from departing the markets of Bakharganj without sufficient security. This embargo was continued for three months in 1752 and finally they were allowed to carry grain to Azimgunje and Chandernagore, those being centres close to Murshidabad and Hooghly. For importation of quantity of grain to Calcutta Kanks Narain was to be indemnified.⁸⁰ The grain merchants of Calcutta thus suffered losses and withdrew from business. The Company servant at Kasimbazar William Watts negotiated the whole affair with *Nawab's* court throughout 1753 to 1756 regarding exactions by the *chowkies*.⁸¹ By 1756 such exactions by the farmer of Hooghly had become general, and all *chowkies* located between Buddal and Jalangi, and Jalangi to Calcutta was under the control of *pachotrah daroga* who operated through a number of farmers. These exactions especially those

under Jibbon Kour, farmer of Hooghly and Shacogunge affected Company's trade, and their goods from different *aurungs* were detained at *ghats* close to the settlement of Calcutta. (Similar complaints of levy of *mangan* or *churagee* by the *faujdar* were received from Midnapur and Jellasore, and also from Rajmahal, where the Company's salt petre boat was detained by Nawajees Muhammad Khan)⁸². In 1754 the Board recorded in their minutes:

that many of the *chowkies* are set up by the Prime Minister and *Pachotrah Daroga* Hukumbeg and the Chhota *Nawab*, who farm them out and who support these farmers in their extortions in order to raise theiron (sic) revenues

These instances of detention of boats carrying goods on the river routes particularly - because in Bengal internal trade was through river route mainly - and the demands issued from the *Nawab's* court as conditions for their release, as well as regular levy of duties does suggest that members of the state did not consider it necessary to maintain conditions for an easy conduct of commerce. Rather revenue gathering was more important. How far the state or the *subah* was compelled to farm out its revenue resources, - though revenue assignments like *jagir* were annulled by Murshid Quli Khan - to delegate the functions of supervision, and control in administration amongst state officials and other underlings of the state is a matter of further research. But growing income within the province in the eighteenth century might have caused a greater emphasis being laid on the policy of maintaining revenue farms rather than initiating policies that could work towards a general augmentation of wealth.

In the history of the relation between the Company and the merchants the departure from *dadni* mode of procurement was definitely an important event. But this decision was not prompted by a simple calculus of the falling, though dominant share, of Bengal's goods in Asian trade with Europe around 1750s. Perhaps a more impelling cause the necessity to extend

the social basis of the whole mode of procurement, supply and delivery of goods from and within the country. This aspect of distribution of goods, in situation when the state was turning towards revenue farming on a greater scale had definite significance. Thus we find the East India Company caught in a tangle. It had to attack the monopolies of the *Nawab* in the trade of some commodities that its private merchants were interested in, and also the right to exact taxes within revenue farms like trade in grain which were protected as monopoly rights.

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