The trade relations between England and India (1600-1896)

Hamilton Charles Joseph
THE TRADE RELATIONS BETWEEN ENGLAND AND INDIA (1600–1896)

BY C. J. HAMILTON, M.A

Sometime Scholar of Caius College, Cambridge; Lecturer in Economics, University College, Cardiff; Dunkin Lecturer in the University of Oxford; Minto Professor of Economics, Calcutta University

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PREFACE.

For more than a hundred and fifty years the trade of the greater part of India with the rest of the world has been carried on to a large extent by British traders and regulated in accordance with a commercial policy determined by British rule.

Those who are familiar with Indian economic opinion will be aware that there exists a widespread belief among the Indian people that the industrial prosperity and development of the country has, at various stages of her history, suffered heavily as the result of the trade policy imposed upon her.

It is frequently alleged that India, before the days of British rule, possessed great and flourishing manufactures and that their downfall may be largely, if not wholly, traced to the selfish fiscal policy of the British Government.

The period during which this harmful action is thought to have been most prominent is that extending over the last decades of the 18th century and the first decades of the 19th century—the period that is commonly described as embracing the years of the Industrial Revolution in England.

Dutt, whose writings on the subject of Indian economic history probably exercise a wider influence in India than those of any other
author, remarks, "India in the 18th century was a great manufacturing as well as a great agricultural country, and the products of the Indian looms supplied the markets of Asia and of Europe. It is unfortunately true that the East India Company and the British Parliament, following the commercial policy of a hundred years ago, discouraged the import of certain Indian manufactures in the early years of British rule in order to encourage the rising manufactures of England. Their policy . . . was to make India subservient to the industries of Great Britain, and to make the Indian people grow raw produce mainly in order to supply material for the looms and manufactories of Great Britain. This policy was pursued with unwavering resolution and with fatal success." ("Economic History of India," p. viii.)

The methods by which this destruction of Indian industry were said to have been carried out were in the main a series of tariff laws excluding, or heavily penalizing, the import of Indian goods into England while subjecting the Indian manufacturer to the full force of English competition in the home market. When, at a later date, England had adopted free trade she is said to have again crippled the industrial expansion of India by enforcing upon her a free trade policy, and, in particular, by the imposition of an excise duty upon cotton fabrics as the result of which the nascent machine industries of India are thought to have been disabled from competing on
equal terms with the rivals of China and Japan.

I believe the theory so generally current, which attributed the passage of India's Golden Age of manufacturing prosperity to England's commercial policy, to rest almost entirely upon a one-sided and inaccurate interpretation of economic history.

As long as this misapprehension lasts, so long will the sense of injury and injustice continue to which it has given rise.

It is not the purpose of this book to attempt a vindication of British commercial policy in India. A dispassionate study of the facts, however, must make it abundantly plain that India was never a great manufacturing country, except in respect of hand spinning and weaving. Hand spinning has indeed almost entirely passed away, even in India, but hand weaving has never been destroyed. As late as 1894, a third of the cotton yarn spun in the Bombay mills as well as practically all the yarn imported from England was woven into cloth on the hand looms of the village weavers.

By the end of the 18th century India was beginning to lose her export markets and early in the 19th century the producers of the finer cotton goods were being driven even from the home market. But this was the inevitable result of an unequal fight between the handicraftsman and the machine product. The high English import duties were neither directed
against the Indian cotton manufacturers nor did they play any really important part in determining the outcome.

The consideration of the effect of the tariff upon Indian manufacture is the chief topic of this book. At the same time I have briefly traced the history of the trading activities of the East India Company from its foundation in 1600 to its close in 1858. The steps by which the Company gradually passed from being a small trading corporation and came finally to be the governing power of the country can hardly be followed without a sense of the absorbing interest of the subject. It properly belongs to this book to deal only with the economic activities of the Company. Even from this point of view the materials for a complete account present a field of study so great as to compel the omission of many topics each of which might well be the subject of a special monograph. As a brief introduction I hope the present account may prove helpful to the Indian students of Economic History for whom it is primarily written.
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CHAPTER I.
INTRODUCTION.

A study of the trade relations between England and India which has for its chief topic the consideration of the effects of English commercial policy upon the growth or decline of Indian industry and commerce involves an examination of the economic history both of India and of England.

From the year 1600 when the London East India Company first received its charter, an event which may be taken as the starting point of English trading relations with India and the Far East, down to 1765 when the Company obtained the grant of the Diwani of Bengal, the position of the English in India was that of a foreign people carrying on a commercial intercourse under conditions imposed, or at least acquiesced in, by the native rulers of the country.

It is during this period that Indian industry is often represented as having enjoyed its Golden Age. Instead of being a country in which labour is occupied almost wholly in agriculture, India is spoken of as at that time having possessed widespread and flourishing manufactures. This period is contrasted with the subsequent decline and decay of industrial life, an event that is often attributed to the trade policy of England.

In 1765 the English virtually became the sovereign power over the wealthiest province of India and the responsibility for the fiscal policy of the country gradually
passed into their hands. But for many years after the grant of the Diwani that authority was exercised over districts widely separated from each other and between which the native rulers continued, either in independence, or in exercise of considerable administrative influence. A long period elapsed before any unity of economic life was established, or any thorough revision of fiscal administration undertaken. Each of the provinces under British rule remained practically separate fiscal countries and India as a whole was split up into a number of economically distinct areas. From the standpoint of tariff history this state of things may be regarded as continuing down to 1858.

From then on India has been substantially a single economic nation although with borders that have been gradually extended. From then also the policy of free trade, which by that time had gained complete acceptance in England, has been the guiding principle in determining the actions of Government in regard to Indian trade and tariff.

Thus between 1600 and the present day we may recognise three broad divisions in the history of trade between England and India. The first covers the period of native rule from 1600 to 1765. The second includes the period of transition from 1765 to 1858. The third relates to India consolidated as a single economic whole under English government from 1858 to the present time.

When we turn to the commercial policy of England as manifested in the conditions under which she has admitted Indian goods into her own markets, it will be found convenient to recognise broadly the same three periods of time as distinguished by differences in the nature of the events and ideas by which that policy was shaped.