Chapter II

THE EAST INDIA COMPANY AND THE BOARD OF CONTROL

THERE is probably no other chapter of the Imperial record on which information is so copiously provided by historians, and so successfully evaded by the educated British public, as the story of the formation and development of the British Empire in India, and no attempt will be made in these pages to repeat the tale. But a preliminary sketch of the share taken by the British Crown and Parliament in the control of Indian affairs before the Act of 1858 may not be out of place.

The powers of the East India Company were derived from a series of Charters granted by the Crown. Only fifteen years after the original Charter to the Governor and Company of Merchants trading to the East Indies, James I despatched Sir Thomas Roe as ambassador to the Mogul Emperor Jehangir, thereby giving official support to the infant commercial adventure. The growing responsibilities of the Company, which in the disorder of seventeenth-century India had to fight for its existence and to begin the exercise of administrative functions, influenced the terms of the constantly renewed Charters: thus in 1661 the Company was authorised to make peace or war with non-Christian powers. The marriage of Katharine of Braganza to

Charles II brought as dowry the Portuguese Island of Bombay, but the British Crown abandoned after three years (1665-1668) the first attempt at direct administration in India, ceding the new possession for an annual rent of £10 to the East India Company. The profits of the Eastern trade soon aroused the attention of the Government, while the Company's pressure of its monopoly to the persecution of British "interlopers" raised questions which could not be ignored. The idea of something more than trading intercourse found expression before the end of the century: in 1686 the Directors had it in view to "establish such a polity of civil and military power, and create and secure such a large revenue as may be the foundation of a large well-grounded sure English dominion in India for all time to come." This Imperialist declaration of policy, however, was not consistently followed up: dividends ranked before dominion for at least half a century more. The factory at Surat, the nucleus of the Bombay Presidency, had been established in 1612, Madras (as a dependency of Bantam—for the Company's earlier efforts were concentrated more on the East India Islands than on the continent) dates from 1640, and was formed into the Presidency of Fort St. George in 1684, and (though Calcutta was not acquired until 1699) the Company's trade with Bengal began in 1633. The Company had to pay heavily for the renewal and extension of privileges, and the grant of a Charter to a competing body, the "New Company," in 1698, might have brought it to ruin had not amalgamation been effected in 1708, after intrigues and controversies closely interwoven with the vicissitudes of English party politics. International rivalries in the East necessarily compelled the British Government to take an increasing interest in India. The Dutch, who had hit the Portuguese power very hard before we entered on the scene, were at first our most formidable competitors—their last possessions on the Indian mainland were not ceded to us until 1824. Denmark founded a few small settlements on the coast, and the ambitious plans of the Ostend Company (Belgium being then under the Austrian Crown) might well have given Germans an active part in the rivalry. Through most of the eighteenth century England and France were at grips in India as in America. French and English Companies' servants sometimes fought each other in India, each intervening in the civil wars of the Deccan and the Carnatic, while the countries were technically at peace, but when England was actually at war with France the preservation of our position in India necessitated the despatch of King's ships and King's troops, and a Chartered Company which had to rely upon the armed forces of the Crown could no longer be regarded as merely an unofficial venture. The great expansion of dominion that resulted from the victories of Clive and Eyre Coote made it obvious that England had become a territorial power in India, and the government of those territories inevitably became a matter of national concern. Clive himself suggested to Chatham (whose family owed its fortunes to India) that the Crown ought to assume direct control, and in the debate on Fox's India Bill in 1783 Dundas made

the suggestion that a Secretary of State for India might be appointed.

From 1766 onwards Parliament showed an increasing interest in Indian affairs. Some of the returned Anglo-Indians who had "shaken the pagoda tree" and picked up valuable fruit made themselves unpopular at home, and the desire of Parliament to intervene was quickened by two very diverse feelings, jealousy at seeing the enormous profits from the Government going into the pockets of the shareholders of a commercial company, or of their individual employés, and uneasiness at the methods by which such profits were acquired. Adam Smith frankly advocated the assumption of British Indian government as a means of relieving the home revenues.

Bengal had become a separate Presidency in 1700, a dignity that Bombay did not attain till 1715, but it was the grant of the "Diwani" (revenue administration) of Bengal, Bihar, and Orissa, which Clive obtained for the Company in 1765, that first gave it a dominating position outside the Madras Presidency. The great successes won by Englishmen in the East were recognized at home by bitter Parliamentary attacks on Clive and the imposition of an annual tribute of £400,000 on the Company. In 1772 Parliament appointed both a Select and a Secret Committee to inquire into Indian affairs (a procedure repeated in 1781), and the result was Lord North's "Regulating Act" of 1773, which established a Governor-General in Council in Bengal, and created the Supreme Court of Calcutta, independent of, and inevitably destined to bicker with, the Company's Executive. A quarrelsome English politician, Sir Philip Francis, was sent out as member of the new Council. Meanwhile, as Sir Courtenay Ilbert* puts it, "while the servants of the Company were amassing colossal fortunes, the Company itself was advancing by rapid strides to bankruptcy," for wars and subsidies to Indian princes depleted its exchequer. By another Act of 1773 Government made it a loan of £1,400,000, gave easy terms of repayment of debt, imposed a limit on its dividends, compelled it to submit its accounts to the Treasury, and required it to export regularly British goods to a certain value. Thus the Company's financial affairs came under State supervision, and at the same time, by the terms of the Regulating Act, the Directors were required to lay before the Treasury all correspondence on revenue matters, and before a Secretary of State all correspondence on government and civil and military affairs received from their servants in India. In 1781, when the Charter was renewed for ten years, the same requirement was made in the case of the Directors' orders to the Indian authorities. It was also provided that after the Company had paid an eight per cent. dividend to the shareholders, three-quarters of the surplus should go to the British Treasury. The State had already become an active partner in the Government of British India, and Pitt's Act of 1784 greatly increased its share in the administration by establishing the "Board of Commissioners for the Affairs of India," commonly called the Board of Control. This measure did not go so far as Fox's bill of the

* "Government of India," 1922 edn., p. 40.

previous year, which was defeated because of the general distrust of the use which Ministers might make of the patronage to be acquired.* It is somewhat strange to find that while the King's approval of the appointments of Governors-General made by the Directors was specifically required between 1781 and 1786, this provision was abandoned between 1786 and 1813. But the Crown acquired in 1784, and henceforth retained, power to recall the Governor-General. For seventy-four years the head of the administration in India was liable to be dismissed by either of his two masters, whatever view the other might take, and it is known that the Government did in 1807 recall Sir George Barlow, and that the Directors recalled Lord Ellenborough thirty-seven years later. The dual constitution set up in 1784 has often been described, but, as the President of the Board of Control was the precursor of the Secretary of State for India, something must be said of it here. The Board (originally consisting of the Chancellor of the Exchequer, a Secretary of State, and four other Privy Councillors), was in fact a Cabinet committee, its members losing office on change of Ministry. The President soon came in practice to exercise all its powers, but up to the last the signature of two members was required for formal orders. He could send no direct orders to India, except when the Directors neglected or

* Pitt's description in the House of Fox's bill was that "it raised up a new power in the Constitution; that it stripped at once the Crown of its prerogative and the people of their chartered rights; and that it created the Right Honourable gentleman the dictator of his king and his country."

delayed to forward his instructions, but a Secret Committee of the Directors, forbidden to disclose to their colleagues any orders requiring secrecy, was bound to transmit his communications. Apart from the secret business, the Directors had to furnish the Board with copies of all their proceedings, submit drafts of all despatches to India, and accept any alterations that the Board might make. Thus while the Company for a time retained its commercial functions, the President of the Board could dictate policy, and questions of peace and war or diplomacy were settled by him. The Directors had the right of appeal to the King in Council against decisions of the Board, but this in fact meant little. The Proprietors could not suspend or annul any resolution of the Directors which was approved by the Board. The Company had changed in character: its servants retired from India had, by buying stock, become Proprietors and were eligible for election as Directors, so that the management in London of its affairs passed largely from untravelled City merchants to expert hands—a development which tended to make the admonitions sent by their "loving friends"—as the Directors always signed themselves—to the Governor-General less trivial but more embarrassing. The appearance of Clive on the English political scene and the impeachment of Warren Hastings—whatever else may be thought of the latter event—made political leaders at home more generally interested and more closely concerned in Indian affairs for some fifty years after 1784 than at any other period before or since. The question of renewing the Company's Charter

came up periodically (1793, 1813, 1833, 1853), and thus gave rise to exhaustive parliamentary inquiries into Indian affairs. The Governors-General and some of the Presidency Governors were men in English political life: after the appointment of Cornwallis it was most exceptional for a Company's servant to become Governor-General except for a short acting term; and Wellesley, Minto and Ellenborough had all served on the Board before taking office in India. In 1788, in the dispute, to be noticed later, over the despatch of King's troops to India, Pitt maintained the power of the Board to take any step regarding political or military concerns or the revenues of India which the Directors could have taken before 1784, and Dundas took the high ground that, if it should appear necessary for the security of our Indian possessions, the Board had power to apply the whole of the revenues of India to that purpose without leaving a single rupee for the Company's investments.* The Act of 1793 confirmed the territorial acquisitions of the Company "without prejudice to the claims of the publick": that of 1813 declared the "undoubted sovereignty of the Crown of the United Kingdom" over British India; and the Act of 1833 definitely assigned to the Company the position of "trustees for the Crown of the United Kingdom." The process had two sides: the principle which Mr. Ambassador Page announced to British statesmen as if it were a new and original discovery of the twentieth century American mind,

* Auber, "Analysis of the Constitution of the East India Company," 1826, p. 444.

that of responsibility for the welfare of subject peoples and the view of sovereignty as a trust, was established here when Burke, for all the scurrility and indiscriminateness of his attacks on Warren Hastings, taught the peoples of India that they could look to the British Parliament for the redress of grievances.

Meanwhile the power of the Company waned steadily. In 1813 it lost the monopoly of the Indian trade while retaining that of the British trade with China. In 1833 it was entirely stripped of its commercial functions, and lost the power of restricting by license the entry of British subjects into India. The Act of 1853 compelled it to throw open to competition all posts in the Indian Civil Service, hitherto filled entirely by Directors' nomination, and reduced the number of Directors from twenty-four to eighteen, six of whom were to be appointed by the Crown. The Mutiny, proving to all that the dual system of Government had failed, was believed by most to show that the Company was responsible for the failure. Vain was the spirited defence of his masters that John Stuart Mill* offered: "Under the existing system Her Majesty's Government have the deciding voice. . . . Her Majesty's Government are thus in the fullest sense accountable for all that has been done, and for all that has been forborne or omitted to be done. . . . To believe that the administration of India would have been more free from error had it been conducted by a Minister of

* Memorandum of the improvements in the administration of India during the last thirty years, and the Petition of the East India Company to Parliament. London, 1858; pp. 113-114.

the Crown without the aid of the Court of Directors, would be to believe that the Minister, with full power to govern India as he pleased, has governed ill because he has had the assistance of experienced and responsible advisers." The Company may have been to some degree a scapegoat, but all parties in England concurred in the necessity of transferring its powers to the Crown. The Act of 1833 had guaranteed an annuity to the shareholders for forty years. So as a corporation it survived until 1874, when it was wound up.

Whatever may be thought of the principle of patronage, the Directors had on the whole provided India, for the last sixty years of their existence, with a remarkably capable series of civil and military officers, and it is interesting that, as regards the Home establishment, the first Secretary of State, Lord Stanley (himself President of the Board of Control) found it very difficult to grade together the two sets of officials who were to man the new India Office, because "the East India Company's officials were so superior to those of the Board."* But the East India House in Leadenhall Street is, perhaps, more famous for having employed men who won distinction outside its walls—James Mill † and his

* Lord George Hamilton, "Parliamentary Reminiscences, 1868-1885," p. 101.

† Mill, Peacock, and the younger Mill were successively "Examiner of Indian Correspondence," which meant head of the Company's Secretariat; John Stuart Mill specialised on the Political work. "Anyone," said his old colleague, Sir Thomas Seccombe, when Financial Secretary at the India Office, "who accepted Mr. John Stuart Mill's opinion on a matter of practical finance would justly be esteemed an idiot." *Ibid.*, p. 102.

son, John Stuart, Thomas Love Peacock and Charles Lamb—than for having attained a high degree of internal efficiency.

Sir William Foster has shown in a recent work* that late in the seventeenth century the life of a clerk at the East India House was far more strenuous than might be supposed; he worked, or at any rate inhabited the building, from 7 a.m. to 8 p.m. in summer, and from 8 a.m. to 7 p.m. in winter (taking, however, a two hours' interval at midday), and got no holidays except for reasons of health or urgent private affairs. But besides public holidays† the whole staff held an annual picnic. ("Derby Day" was in theory an India Office holiday until a few years ago: the privilege is attributed by legend to the sporting tastes of Sir Charles Wood, who also earned the gratitude of the staff by allowing them to smoke over their work, because he enjoyed a good cigar and did not see why his subordinates should be more self-denying.) The Company had its home in Leadenhall Street from 1638; the Board of Control‡ starting life in a corner of the Treasury Chambers, moved successively to No. 3, Downing Street, Dorset House (Whitehall) and Cannon Row—subsequently the office of the Civil Service Com-

* "The East India House: its History and Associations," 1924.

† The nineteenth century, while not exacting such long hours, was even more parsimonious in the matter of holidays. "The Committee," Charles Lamb wrote in 1817, "have formally abolished all holydays whatsoever, for which may the Devil, who keeps no holydays, have them in his eternal burning workshop!" *Ibid.*, p. 183.

‡ "The India Board," by William Foster, C.I.E., 1916.

mission until demolished to make room for New Scotland Yard.*

The Members of the Board (who, as stated above, were Ministers also holding other offices) were at first unpaid. Dundas, who in fact was the leading spirit, and to whose influence with the Directors was attributable the large influx of young Scots into the Indian Services, sat merely as one of the Privy Councillors (he was Treasurer of the Navy) until in 1793 he was appointed President. The original staff consisted of a Secretary (a Member of Parliament), an under-secretary, three clerks, a solicitor and assistant solicitor, two messengers, an office-keeper, and a "necessary woman," but the staff grew. Dundas distributed the work on geographical lines (as in the Colonial Office), a department being allotted to the affairs of each of the three Presidencies, but in 1807 they were re-arranged according to subjects, into four branches, "Secret and Political," "Revenue and Judicial," "Military," "Public and Commercial." A financial branch was added in 1838. Minor changes were made before 1858, but in this scheme we find the origin of five out of the six departments which, until the post-War reorganisation, constituted the Correspondence Branch of the India Office. The salaries of the staff were at first defrayed from British revenues, but from 1793 (when the Commissioners themselves ceased to be unpaid) the charge of the new department was placed on the Company. Its cost rose from £16,000 a year in 1793 to £26,000

* The Home Government provided and maintained the offices of the Board.

in 1813. In the latter year the salaries were established at rates rising from £150 to £400 for junior clerks, to £1,500 for the Secretary. Later on a Permanent Secretary was appointed, and in 1858 the two Secretaries of the Board (Mr. H. J. Baillie, M.P., and Sir George Clerk, K.C.B.) migrated with their Chief, Lord Stanley, to the India Office, where they became the first Parliamentary and the first Permanent Under-Secretary of State.

Chapter III

THE SECRETARY OF STATE IN COUNCIL

WHILE the Act of 1858 transformed the position of India in the Empire, and introduced an entirely new relation between the British Crown and the Indian peoples, the machinery of government in India was, at the time, unchanged, and at home the President of the Board of Control became a Secretary of State, advised by a Council of whose fifteen original members eleven had been Directors of the Company. The Mutiny sharply divided the new India from the old, but, until the process of giving Indian representatives a voice in the government of their country began to develop, Crown administration followed lines already drawn. It has been shown that the Home Government had come to direct Indian affairs far more closely than is sometimes supposed. In all respects other than progress towards self-government the foundations of modern India were laid before 1858, though the opening of the Suez Canal and the establishment (1870) of cable communication were to bring India into closer contact with England. Lord Dalhousie's vigorous development of Public Works had opened the era of railways and telegraphs and started the great irrigation schemes. The process of State education which was to create an English-speaking "intelligentsia," keenly interested in politics, had