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India's contribution to the British balance of payments, 1757–1812

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Abstract

The East India Company's "regulated" trade monopoly more effectively served Britain's national interest during the French wars than might be inferred from contemporary complaints and recent scholarship. The Board of Control's assessment of India's importance to the British balance of payments in the 1780s was well informed and was borne out by subsequent developments. British net inflows from India remained substantial through 1765–1812 and were arguably least dispensable. British trade with Asia most frequently outgrew the worldwide totals and retained some of the acquired gains to the end of the period. The real constraints faced by private traders should be weighed against the external economies and scale advantages rendered by the East India Company to a wider range of British interests.

Keywords: British overseas trade; British balance of payments; East India Companies; India drain; Indian textiles; China trade; U.S. neutral trade; Terms of trade; Freight; Marine insurance

1. Introduction

Between 1765 and 1799, a seemingly overriding goal of British Asian policy was to promote the transfer of surplus Indian revenues to Britain through the East India Company's trade monopoly. This government policy was unambiguously communicated to

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the Company in 1769; it was subsequently enforced with growing empowerment of Governors-General in Bengal and with supervisory bodies in London under Crown control. In the new Charter Act of 1793 Henry Dundas, the influential first President of the London Board of Control between 1784 and 1801, made a landmark decision to perpetuate existing policy. In the face of growing complaints by Company critics, private competitors, and British manufacturers, Dundas chose to uphold the Company's monopoly of British direct trade with both India and China with only moderate concessions to private interests. Dundas's main argument was that the Company's "investment" in Indian goods, in the context of what he described as a "regulated monopoly," remained the safest channel of remittance to Britain. In the background of his decision was a novel perception, already expressed by Pitt the Younger in 1784, that the importance of India had "increased in proportion to the losses sustained by the dismemberment of other great possessions".[1] As late as 1799, Dundas was still writing of his hopes "for the payment of tribute to this country, through the medium of a beneficial and encreasing commerce."[2]

How effectively did this policy serve British national interests to the end of the Company's monopoly of British trade with India (1813)? In 1968, Peter Marshall could confidently state that "few economic historians would now argue that [the Asian Empire's] contribution had been of major importance."[3] Historians' views were naturally influenced by the Company's apparent failure to succeed as a viable corporation in its double role as territorial ruler and commercial operator. Confronted as it was with corruption and patronage within its own ranks, with stepped-up competition from private traders since 1793, with massive diversion of bullion exports to India from commercial to military purposes since 1798, and with weakening European markets for Indian textiles in the 1800s, the Company saw its home and Indian debts soar to the edge of bankruptcy. The precise determinants of this growing indebtedness must remain obscure owing to an inextricable confusion, in the Company's accounts, between its various administrative, military, and commercial activities.[4] Meanwhile, the ailing Corporation's image was not enhanced by its seemingly detrimental use of its monopoly privileges. It was argued at various times that the Company restricted supplies and charged extravagant prices; that the shipping services it contracted were unduly costly and inefficient; that its commercial operations in India were a "losing trade"; that its imports of Indian raw materials fell short of British requirements; that Indian textiles unfairly competed with British cotton fabrics; and that the Company's conservative practices stood in the way of British manufacturers' efforts to break into Indian and Chinese markets.[5]

Some of these claims have been challenged by recent work. One obvious testing ground for the Company's commercial operation is the conduct of its trade at Canton, where all foreigners competed on equal terms under the Hong merchants' tight control. It has been shown that the Company's rates of commission were no higher than those charged by private traders; that its profits appear to have been similar; and that the principal tea dealers at the public auctions in London had nothing but praise for the Company's conduct. Any

[1] Bowen (1998, pp. 535–537, 541, 548), Marshall (1968, pp. 91, 98).
[2] Quoted in Marshall (1968, p. 91)
[3] Marshall (1968, p. 92).
[4] Furber (1948, pp. 264–267), Philips (1940, pp. 1–79, 106, 124, 153, 303), Bowen (1998, p. 535).
[5] For details, see: Tripathi (1979, pp. 25–26), Webster (1990, pp. 408–410).