

The company that governed

a study of the British East India Company in seventeenth century

India

Abstract

The British East India Company was an enterprise that was engaging in trade in India for over two hundred years. During this time period, the British took political power and started to govern in India. In this thesis I have, by the use of textual analysis, studied the East India Company's political power and how they were governing the cities of Madras and Bombay during the mid-seventeenth century in India. I have analyzed their reasons for governing with help of Marxist-Leninist theories about imperialism. My purpose has been to bring a different point of view to the debate about the East India Company's ambiguous nature, by incorporating Marxist-Leninist theories in the analysis. With help of the theories, I have come to the conclusion that the aim for the East India Company was to make financial profit. It was necessary for them to transcend from a commercial firm to a governing institution in order to expand their market, take control of workers and to make profit.

Keywords: East India Company, India, Madras, Bombay, colonialism, imperialism

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1 Introduction

India - one of many countries in the world that has suffered through colonialism in the form of bureaucratic and economic overtaking by European states. European states such as the United Kingdom, France, Portugal and the Netherlands have all colonized India in some form. The British colonies eventually developed into a political empire and this was governed by a company – the British East India Company (Wilson, 2015). The East India Company existed in other states than in India, but this thesis will focus on the company's role in India.

The consequences of colonialism has left a mark to this day on areas such as governance, economics and naturally also on social and ethnic relationships (Iyer, 2014). Knowing that history has effect on matters of present day, it makes it both interesting and valuable to study history, in order for us to ameliorate our comprehension of the present.

The East India Company (EIC) took different shapes during its ruling time in India - first and foremost as a shape of a company with a purpose of trade, then secondly it took the shape of a political institution that governed. This transition and change of purpose has left scholars wanting to know more about the company's interesting and ambiguous nature. Scholars have therefore been studying why and how the company changed and why it acted, seemingly, with different motives during the two hundred year period (Wilson, 2015, p. 260).

Since the EIC existed for over two hundred years in India, this long period of time naturally makes describing and explaining the company's actions challenging. To understand why they changed from being a commercial firm to becoming a political institution is not impossible, but given the long time period under which they operated and given the vastness of the company, it makes it a sizable task to take on. Studies about this has nevertheless been made and I want to contribute to the field of studies about the EIC. What I want to know when it comes to the company's role in India is why the company felt the need to govern in the cities of Madras and Bombay during the 17th century and if we can explain the basis of their actions in these cities with help of theories.

1.1 Former research

To give insight of the former research about the British East India Company, I will summarize what three of the former researchers have written on the subject of the EIC's transcendence into governing. A substantial number of scholars have studied the EIC's institutional change and I will not name them all, but I will give a few examples of what previous research has looked like, partly in order to summarize some of the the writings on the subject and partly to give insight to non-familiar readers about the EIC's nature and actions. The papers that I have chosen to summarize is also research that I, myself, found helpful while I was studying the company.

British scholar Nicholas Hoover Wilson wrote about the EIC in his article from 2015, "*A State in Disguise of a Merchant? The English East India Company as a Strategic Action Field, ca. 1763–1834*". He studied how the EIC lost its commercial functions and became a territorial power in India in the second half of the eighteenth century, specifically from the 1760's until 1834, when they lost their commercial function's. The transition led to an enlargement of its territorial possessions, which Wilson calls territorialization. Wilson proposes that the EIC's transition is to be considered what he calls a 'strategic action field', which essentially means that the company was striving to have political and economic power while at the same time trying to control their entire territory (2015, p. 259). Viewing the EIC in this way is necessary in order to understand the internal divide in the EIC, between the different actors in London and in India. Wilson suggests that the reason why the EIC changed into being a territorial sovereign was because of an internal struggle to cope with colonial pressures, pressures that partly arised from the Seven Years' War (1756-1763). During the Seven Years' War Britain fought, among other, France in India and they had an important and historic victory in the Battle of Plassey in 1757, a victory that led to further political control of India. The events during the main conflict of the Seven Years' War led to institutional change within the company and, according to Wilson, "permanently transformed the Company's character" (2015, p. 270).

What's even more interesting – and perhaps more relevant for the purpose of my thesis - when it comes to Wilson's article, is his summary of the different views of the EIC in social science, specifically different views of the EIC's colonial activities and the reason or reasons behind them. He calls the different historians views of the EIC's nature and transition a "schizophrenic gaze", since their views differ so much from each other (ibid, p. 260).

Regarding the EIC's ambiguous nature, Wilson stated that there are two different views of the EIC's territorialization and transition in social science – the views of the coherentists and the views of the incoherentists. The coherentists would explain the EIC's transition according to two different ways of thinking: 1) ideologically or psychologically motivated actors were able to steer the EIC in the way they wanted, or 2) the coherentists would not emphasize individual actors and rather focus on the EIC's changing role in the imperial economy (for example events that changed the EIC's role, such as the Seven Years' War). The overall opinion of the coherentists is that the colonial domination was *coherent*. In this way of thinking the explanation allows one to think that there was a sense of logic behind the EIC's actions, regardless to whether it was individual actors or if it was events that changed the EIC.

In comparison, the incoherentists would state that there was no logic to the EIC's colonialism and no overarching purpose to their territorialization. The transition happened unintentionally and was not planned – i.e. *incoherent*. The company officials did not act according to overarching ideological or economic motivations, instead the company officials reacted to individual political and economic challenges in different ways without a specific intention (ibid, p. 260). These two ways of looking at the EIC in social science is of importance and relevance because it shows that there is no consensus regarding the EIC.

Indian scholar Sashi Sivramkrishna has also studied the EIC's transcendence in his paper "*From merchant to merchant-ruler: A structure–conduct–performance perspective of the East India Company's history, 1600–1765*". Here he states that the EIC transformed from being a merchant to becoming a merchant-ruler and gained a monopoly in India (Sivramkrishna, 2014). The disintegration of the Mughal Empire allowed the EIC to become a merchant-ruler, since the dissolution of the Mughal Empire made it easier for the Europeans, such as the British and the French, to take political and military control. The company underwent a fundamental change during the 18th century and took a political position in India. Just as Wilson stated, Sivramkrishna also states that the biggest change happened after the Battle of Plassey in 1757, where the outcome was that the EIC became more involved in local political affairs (ibid, p. 806).

Philip Stern, a scholar whose work I will use to perform a textual analysis in the thesis, has written extensively about the EIC and partly about how they governed in different Indian cities. In his book from 2011, *The Company-State: Corporate Sovereignty and the Early Modern Foundations of the British Empire in India*, he studied how the EIC changed from being a commercial firm to eventually becoming a state. Stern stated that commercial firms such as the EIC, who are engaged in overseas trade, should not only be seen as economic

firms but also as political entities. The company acted as a government since they administered laws, regulated citizen's rights, collected taxes etc (2011, p. 4). Although the official political overtaking happened hundreds of years later, Stern states that during the EIC's early days, the company was still acting as a political entity (ibid, p. 7). The EIC's political overtaking during the 17th century is something I will return to in the analysis.

The EIC's ambiguous nature – being a company that took political power as they were transcending into becoming a state - has thus been studied thoroughly. Consensus about the reason why the EIC changed does not exist in the debate about the EIC. This makes it principally interesting to figure out what the reason behind the company's political overtaking in India was, since there is no clear answer to this question.

To summarize - some scholars have claimed that the EIC's imperial expansion happened almost unconsciously, without intention. This is, by many scholars, a common way of explaining the EIC's transcendence from being commercial to becoming state-like. It implies that there was no logic or intention to the bureaucratic overtaking from the British and that it instead happened unintentionally. Others have stated that the different policies that were implemented were affected by the particular actors in charge, such as the colonial officers. The actors had motivations that were based in an ideology, or in a way of looking at the world, and that would thereby be the reason for the EIC's transition. The EIC's change of role happened also because of events that changed their role in the imperial economy, such as the Seven Years' War (Wilson, 2015, p. 260-261).

The East India Company's entry and transition in India has left scholars wanting to know why and how they changed. In this thesis I will use theories that the scholars I mentioned have not used, theories that I think will be able to help explain why the EIC felt the need to govern during the 17th century in the Indian cities of Madras and Bombay.

1.2 Aim and research question

What I aim to do in this thesis is to describe the way the East India Company was governing in Madras and Bombay during the 17th century and explain why they governed with help of the theories I have chosen, in order to find out if theories can help us understand their actions. When describing how they were governing, I will do a textual analysis and when explaining why they governed, I will use Karl Marx and Vladimir Lenin's theories of imperialism.

My hypothesis is that Marx's and Lenin's writings about imperialism can explain the EIC's

transition from being a merchant to becoming state-like. My purpose leads me to a research question that I wish to answer:

Why did the East India Company take political power during the seventeenth century in Madras and Bombay?

2 Theory

The concept of imperialism has been theorized by various thinkers with different perspectives. The perspective that I will use in this thesis has its basis in Marxism and imperialism is one of the most talked about and written about terms in Marxist theory (Milios et al, 2009, p.1). That does not mean that every Marxist thinker has the same exact opinion on matters of imperialism and there is an existing schism, but there are some main points that can be agreed upon about imperialism in the Marxist school. The perspective that Marxism brings generally on every matter is a perspective that mainly has to do with structures and not individuals. Marx emphasized material conditions and claims it is the structures in society that determine our actions (Hollis, 2002, p. 8). I will summarize the way Marx and Lenin have written about colonialism and imperialism, in order to later on connect this perspective to the East India Company's actions in Madras and Bombay and to the research question.

I have chosen to focus strictly on Marx and Lenin's writings on imperialism and not on other Marxist thinkers that have written about imperialism, for instance Rosa Luxemburg or Rudolf Hilferding. I chose to do this partly because I wanted to limit the study to not incorporate many different thinkers in order to make it easier to follow. The different Marxist thinker's have had different views on imperialism (Milios et al, 2009, p.1) and to include every one of their thoughts is not the my ambition for this thesis. Using Marx is, in my opinion, useful because he brings the underlying perspective of the Marxist way of analyzing imperialism, tied with an explanation of why the capitalists take political control in the colonies. Using Lenin's work on the other hand, helps me answer my research question since his book *Imperialism, the Highest Stage of Capitalism* deals with different ways of explaining the emergence of imperialism.

2.1 Capitalism – accumulation of capital

To understand the Marxist-Leninist way of thinking about imperialism, one first has to understand the Marxist way of thinking about capitalism since these two -isms are tightly bound together in Marxist way of thought. Marx wrote about capitalism in *Das Kapital* in 1867 and I will be referring to a book by British scholar Anthony Brewer, "Marxist theories of imperialism – a critical survey", that summarizes what Marx wrote about capitalist expansion (Brewer also connects this to the Marxist perspective on imperialism, which again made it

convenient for me to use his book).

The economic system of capitalism is a system where there are many different independent producers who produce goods and services. When it comes to production in a capitalistic system, the employer buys the means of production and also pays workers for their labor power. The capitalist's goal is to produce surplus value in order to make a profit of the goods they produce. He or she starts off with capital which serves to buy means of production and to pay the worker's wages. In order to make profit or create surplus value, the capitalist could for instance increase the amount of work hours for the workers (while not simultaneously raising their salary). Marx calls this kind of surplus value *absolute* surplus value. One of the sources of the surplus value is thus the specific social relation between the capitalist and the worker, where the worker sells his labor power to the capitalist. As Lenin wrote: "Capitalism is commodity production at its highest stage of development, when labor power itself becomes a commodity" (1917, p. 101). Otherwise, the capitalists could create surplus value by improving production methods so that a larger amount is produced in the same amount of time. This is what Marx calls *relative* surplus value (Brewer, 1980, p. 34-35).

In the end of the process, the capitalist should get back revenue which can be used for either investment or consumption in some form. Reinvesting profits is by Marx called concentration of capital. The capitalist also continues to buy means of production such as materials and equipment, in order to continue with production (ibid, p. 28-32). Brewer explains and elaborates on surplus value like this:

"The value created by labour is the number of hours worked in (say) a day (given average conditions of production), but the wage paid by the capitalist corresponds to the *value of labour power*, that is, the labour required to reproduce a day's labour power, which is, in turn, the value of the commodities needed for the subsistence of the worker and his family (since the worker must be reproduced) for a day." (p. 29).

In the advanced stages of capitalism it is relative surplus value that is of importance, since it is in that stage that production methods can more easily be improved. Whereas in the early stages of capitalism, it is the absolute surplus value that becomes important since the capitalists usually have greater power to make the workers work for longer hours, compared to the advanced stage of capitalism (ibid, p. 35).

What Marx emphasizes and accentuates when it comes to the economic system of

capitalism is that the capitalists exploit the worker's labor power, for example by making them work long hours only to increase productivity in order to make profit. In addition, the profits are not shared equally. This exploiting system gives rise to a combative relationship between the classes that leads to a class conflict (Brewer, 1980).

2.2 The stage of falling profits

I will include and explain the stage of falling profits since it is connected with the certain stage in capitalism that leads states and capitalists to implement imperialist policies.

According to Marx, the final stage of capitalism is a stage of falling profits, otherwise known as the tendency of the rate of profit to fall. Even though the capitalists will try to increase efficiency in the production, there exists a tendency towards a falling rate of profit. When technology improves, less amount of labor is needed to produce goods since technological innovation will find new smart solutions in the production. Productivity then increases and therefore the value of the quantity of means of production will fall. Advancement in technology will, in a given sector, lead to the enhancement of production which means that the new methods used in the production will not cost as much. In this system large-scale production is more profitable and efficient (Brewer, 1980, p.35-36).

This way of thinking has been criticized and the main criticism is that an increase in productivity can actually lead to an increase in average profit. One has to take in consideration that Marx talks about the stage of falling profits as a tendency, which means that it is not for certain that this will occur (Brewer, 1980).

2.3 The need for expansion

As before mentioned, the Marxist-Leninist way of looking at imperialism is tightly bound together with the economic system of capitalism. Imperialism in fact develops as a form of *evolution* of capitalism. Let us examine how this can be elaborated. For capitalists to sell their goods, there has to be a market where people not only want to buy the goods, but also can afford to do so (Milios, 2009, p. 33). If there is no such market, capitalists will have to find one or create one. That is what is done under imperialism, the search by capitalist's for foreign markets, with the aim to increase profits (ibid, p. 11). When capitalism evolves, it becomes a system in which the capitalists eventually will have to find new markets to exploit in order to keep on making profits. One of the primary forces in capitalism is competition and

the creation of new markets is something that will trigger competition (Brewer, 1980, p.35). For instance, it can be the stage of falling profits that leads to imperialism and in that case it becomes the reason that states colonize other territories or states (Blaut, 1975, p. 2). It can be seen as the symptom of the crisis that the capitalist market finds itself in, a symptom that one could say is necessary. Lenin is one of the writers in the Marxist school that have contributed to this way of thinking. According to him, capitalism will eventually come to a final stage where imperialism will take place and this is the Marxist-Leninist viewpoint of imperialism (Lenin, 1917, p. 13). This viewpoint states that the stage of falling profits, combined with a lack of investment opportunities, becomes an incentive to find new places to make capitalist profits (ibid, p. 10-11). Or to put it in other words:

“In the imperialist stage, said Lenin, a capitalist state must seek to parasitize, to expand, politically and economically, in order to gather in from abroad those profits which its stagnant, decaying, internal economy can no longer provide” (Blaut, 1975, p. 3).

2.4 Export of capital to foreign states

Someone who had influence over Lenin’s way of thinking of imperialism was John A. Hobson, a British economist who published a book titled *Imperialism* in 1902. He was a liberal, but Lenin was nevertheless influenced by him and used Hobson’s work. Hobson was critical towards imperialism and he stated that England’s colonial policy’s primary aim was to create profitable markets for investments. Lenin understood this criticism and Hobson made him see imperialism as a result of social and economic forces in society (Lenin, 1917, p. 11-12). Lenin stated in his book *Imperialism, the highest stage of capitalism* that in the economic system of capitalism there exists a surplus of capital. As before mentioned, that is what Marx wrote as well - the capitalists aim to produce surplus value. According to Lenin, the capitalists export a part of the surplus to other states, states where they can make high profits. Thus, they might use their surplus to invest in states that are not financially developed, where salaries are low and raw material is cheap. In capitalism, there exists a tendency to underconsumption when 1) there are not as many profitable investment opportunities for the capitalists and 2) when the worker’s wages are low enough to the degree that they cannot afford to consume, which forces them to save instead. This stage can also explain imperialism, since they want to find a new market in order cope with the consequences of underconsumption (Milios et al, 2008, p. 10).

Export of capital can also be in the shape of loans, where a richer state would loan money to

a financially instable state (Lenin, 1916). The state that is financially unstable is not able to repay the debt and is stuck in an underdog position, a position that the wealthy state can take advantage of and this can ultimately be seen as imperialist exploitation. Lenin would call the wealthy states in these situations for rentier-states, states that get wealthy because of the debt of the lesser wealthier states and that is thus their process of exploitation (Milios et al, 2009, p. 11). Lenin stated that the rentier-states get a large income from exploiting other states and that this is the central core in imperialism (1917, p. 138).

2.5 The need for political power

Essentially, what I want to find out in this thesis is why the EIC started to govern in Madras and Bombay and the Marxist-Leninist theories of imperialism can be helpful when trying to explain why colonialists take political power in the colonies, thereby answering the research question of the thesis. First of all, when the colonialists or capitalists have political power over the state or the colony, they can easier get the means of production that is necessary to produce the primary commodities and raw materials. Without the political control it will prove to be more difficult to ensure the loyalty of the worker's and, in the end, the profits. The capitalists will therefore take political power as well and will be implementing policies that will profit them. This could for instance mean that they would take control over workers and the means of production, in order to make sure that surplus value will be made. In Marx's way of thought, the capitalists can use political power in this way, and this is thus the same for capitalists who operate under imperialism (Milios et al, 2009, p. 10-12).

As before mentioned, the capitalists want to defend the interests of their own class and aim to make financial profit. In the case of colonialism, Hobson would argue that the colonizers would not only take control but they would also have a desire to implement their own ways of governing and their own civilization. In this form of imperialism, political overtaking and governing is involved. The capitalists will create new markets while exploiting lesser wealthy states, with help of the involvement of government. Involving a state will also be done in order to, for instance, facilitate financial conditions for the capitalists. Thus, this becomes a need for the capitalists in order for them to keep on making profits (ibid, p. 21-22).

2.6 Summary

The Marxist thinkers have inevitably written much about imperialism and various different Marxist thinkers have had different thoughts on imperialism. The common denominator between the different thinkers in the Marxist School is that they emphasize exploitation in terms of economic variables and the need for capitalists to make financial profit. Exploitation can for example be when the working class in a territory gets exploited by the colonial rulers who are in charge (Horvath, 1972, p.46).

Imperialism according to Marxist-Leninist theory is an inevitable consequence of capitalism. In the economic system of capitalism, the capitalist's goal is to make profit and produce surplus value. When there is a crisis within the capitalist system, two different factors can lead to capitalists wanting to expand to another markets – underconsumption and/or the quest for profitable investment opportunities. Creating new markets and doing this in a foreign place where salaries are low enables the capitalists to recruit more low-paid workers, which in turn is profitable for production. In order to find new markets for the export of goods and capital, claiming new territories will be a necessity and therefore, imperialism becomes the highest stage of capitalism. Therefore, whenever a capitalist state colonizes another state, the motive would first and foremost be to expand the market and to increase profits.

Taking political control over inhabitants, i.e. workers, will enable the exploitation made by the capitalists and this is why they take political power in colonies. It is also connected to taking control over means of production.

3 Method and material

To answer my research question, I have chosen to do a case study of the East India Company's role in the 17th century, in the form of a textual analysis. The text I have chosen to analyze is Philip J Stern's chapter *Planning & Peopling Your Colony* in his book from 2011, "The company-state: corporate sovereignty and the early modern foundation of the British Empire in India".

3.1 Textual analysis

What is textual analysis and how can it be done? There are different types of textual analyses, such as discourse analysis, content analysis, argumentation analysis, idea analysis etc. (Bergström et al, 2012, p. 24-25). I have chosen to do a content analysis of Stern's chapter. A content analysis can either be quantitative, where you could for example try to find a pattern in a large amount of writings, or count how many times a certain word is being used. Or it can either be the sort of textual analysis that I will do in this thesis – a qualitative one. In a qualitative content analysis, nothing is being measured and it is instead some sort of interpretation that is being made (ibid, p. 50). What makes qualitative content analysis suitable to use for this case, is that it allows me to analyze the chapter and try to understand how the EIC were governing the cities of Madras and Bombay in order to describe this and to later on try to answer my research question. Since my subject has to do with something from the past, Stern's chapter becomes particularly useful. Trying to find material from this time period can prove to be time-consuming, thus second hand material facilitates for me, in light of the time frame of the thesis. Qualitative content analysis can help me interpret what Stern has written, in order to draw my own conclusion from his work. Content analysis is a systematic way of researching a text and is therefore a favorable method (ibid, p. 50).

Every textual analysis includes some sort of interpretation. Problems can arise while interpreting, for example if one misunderstands what the writer meant. Depending on what kind of text you are analyzing, the problems regarding interpretation can vary. Things that need to be taken in consideration while analyzing a text are; who is the recipient of the text? What is the aim of the text? Who is the author of the text? Since every reader has some sort of a preunderstanding, the preunderstanding will contribute to how we interpret the text. Preunderstanding is made up of the social context we live in, our experiences and our individual opinions of the world. In the world of social science, we cannot fully exclude our thoughts and feelings while researching. It can also be said that without any kind of

preunderstanding, we would not be able to interpret the text, since preunderstanding is necessary to make us understand the text we are analyzing (ibid, p. 30-31).

3.2 Choice of text

In *Planning & Peopling Your Colony*, Stern describes the political overtaking by the EIC in Madras and Bombay. These actions by the EIC gives a picture of how the company acted as a political institution during the 17th century. One of the reasons why I chose to do a textual analysis on this specific text is because I have found and read many papers about the EIC's actions during the 18th and 19th century, but not as many about the EIC's actions in the 17th century. I therefore feel that this century has not been given as much attention in the writings about the EIC and that it may have left a blank in the studies of the company. I think it is important to study the 17th century because the company was already governing at that time, even though it was before the British Raj and the formal and national overtaking. Knowing that they were governing during the 17th century as well, makes it interesting and useful to study the EIC during this time period, to see what the governing looked like during the seemingly informal political overtaking.

The way I am using Stern's chapter is to gather knowledge about what the EIC did in Madras and Bombay during the 17th century. In this case, I have to be pretty certain that what he has written is historically accurate. Stern is peer reviewed which makes his work a reliable source, but we must always take in consideration that historical transcripts might not always show the whole truth.

Stern's text is about, as before mentioned, Madras and Bombay. He writes a bit about the EIC's establishments in St Helena as well, but I have focused mainly on the parts about Madras and Bombay with purpose of simplifying and limiting the study. My main motive behind using his chapter is that I want to use the EIC's actions in Madras and Bombay as an example of how the EIC governed. These actions are not to be seen as universal for the entire EIC or for all of India, but the chapter gives an extensive insight and understanding about the company's actions in those particular cities in that particular time.

I am aware that the EIC was engaging in more activity and that many more happenings occurred than the ones Stern writes about. Since the EIC did so many different things during this time period, it is not really possible nor desirable to cover everything they did in the scope of this thesis.

Can this case be used on a larger scale, while trying to understand what British colonialism in India looked like during this time period? I do not think that the EIC's actions in these two

cities can be used to make a sweeping assumption about how it looked like in all of India during the company's time there, or even in the 17th century alone. While researching the EIC's actions, dividing it over a certain time period and in a certain geographical place is a convenient thing to do, not choosing their entire two hundred years in India as a case of its own.

3.3 Choice of theories

Why I chose to combine the study of the East India Company with Marx and Lenin's theories about imperialism, is because I have seen a connection between this case and the theories. I have found a way to implement and use the theories while analyzing the East India Company. Generally, using a theory while doing a case study can be helpful when we are trying to understand the reality of things, although a theory's way of explaining something can be limited. Nevertheless, a theory can help bring understanding of why something happened in the first place and it can also, in some cases, help us generalize (Teorell et al, 2007, p. 47). The perspective that the Marxist-Leninist theories brings can be used in the case of the EIC and can help us understand why the company emerged and why it evolved the way it did. The Marxist way of thinking is to study structures, not individual actors, and I as I mentioned before I think this perspective will bring something new to the debate about the EIC and its ambiguous nature. All of this becomes a motive for me to use this perspective and these theories. I do understand that the theories I have chosen can be somewhat too theoretical and that it can be difficult to implement them on reality. These theories have been said to be perceived as possibly too theoretical (Milios et al, 2009, p. 30). Especially Marx and Lenin who were active during the 19th century and the beginning of the 20th century, can be perceived as outdated and obsolete. The fact that theories can be too theoretical when using them to explain reality, is a problem that I think every theory can bring, when using them for that said purpose. The cases that we study in social science are not often bound by laws and a theory will not always be able to give us a definitive explanation of an event. Still, it can tell us something and be helpful when we are analyzing.

What makes using these particular theories fundamentally interesting in a larger scale, is the notion that companies in capitalism use the government in order to expand their markets, in this case in the form of colonialism. This notion in the Marxist-Leninist way of thought connects me to my research question, that has to do with *why* the EIC took political power.

Hopefully this thesis can help bring understanding and clarification to why the East India Company was founded and why it behaved the way it did in Madras and Bombay.

4 Analysis and discussion

I will first give a background description of the EIC and their emergence in India and then perform the textual analysis by writing about their political overtaking in Madras and Bombay and by analyzing Stern's chapter. I will then, in the discussion part, connect the theories with the case.

4.1 Background of the East India Company

"From its inception in 1600, the East India Company, as a corporation, was by its very organization a government over its own employees and corporators." (Stern, 2011, p.4)

The East India Company was founded in the beginning of the 17th century and existed until the middle of the 19th century and the EIC was the oldest of the European companies. When the company first was founded, by a group of traders from London, it was granted a monopoly charter by the rulers in Great Britain. Queen Elizabeth was the one who granted the company, in the year 1600, to carry out trade in India. In 1601, four ships set sail to India (Sivramkrishna, 2014, p.798). It was founded as a stock company where shareholders subscribed to funds and was financed by the merchants in London (Stern, 2011, p. 2). In the early days of its foundation, the merchants could only invest in single voyages (Kulke et al, 1998, p. 202). Elizabeth I granted them exclusive trading rights, but the EIC's monopoly status was interrupted when King James I granted license to private traders from England to trade with other states in Asia (Sivramkrishna, 2014, p. 798).

Out of all the British companies abroad, this one became the largest (Berg et al, 2015, p. 126). Before the EIC claimed monopoly of the East Indian trade, the trading took place by different traders and companies but after they established themselves in India, they excluded commoners to trade with India (Marx, 1853, p. 45-46). In the 17th century, when the EIC was founded, the motives were those of trade and commerce. The very first fleet that was sent out to India had as a purpose for the EIC to negotiate the foundations of the first so called factory or trading post.

How did the Mughal Empire - the rulers in India during the 17th century - act towards the

EIC? In 1617, the Mughal Emperor Jahangir sent a letter to James I, King of England, saying that had he had given his general command to receive all the English merchants (Robinson, 1909, p. 333-335). Although in spite of this, the company did not get permission by Jahangir to set up a factory in Surat. The EIC was granted the permission to engage in trade again in 1717, this time in Bengal, by the Great Mughal at the time (Kulke et al, 1998, p.207).

If the EIC emerged because of economic reasons and trade, what kind of industries was the EIC then involved with? One of the industries that was of importance for Great Britain at the time was the cotton industry. It has been argued that because of the fact that the demand for cotton increased, it generated further colonialism of India (Brewer, 1980, p. 54-55). Cotton was produced in Bombay and Bengal, as well as pepper plants, cloves and rice (Stern, 2011, 21). Karl Marx describes the cotton industry like this in one of his articles (1853, p. 38):

“England began with driving the Indian cottons from the European market; it then introduced twist into Hindustan and in the end inundated the very mother country of cotton with cottons.”

The market in the East Indian continent became the best market for selling cotton (ibid, p. 52). This goes to show how substantial and important the cotton industry was for the EIC. Other products that they were buying and selling was tea, furniture, textiles and drugs (Berg et al, 2015, p. 5).

The British formed communities in Bombay, Madras and Calcutta. By the end of the 17th century, the EIC had set up settlements that all of them were part of a coherent network. The use of these settlements as trading posts soon began to change and they were instead gradually seen as colonies and sovereign plantations that were governed by institutions (Stern, 2011, p. 2).

4.2 Madras and Bombay

As I mentioned, the EIC wanted to use the market in India for trade purposes to begin with, or at least this is what they were doing when they first came to India. Stern writes that “... the Company’s efforts at Madras, St. Helena and Bombay were focused on establishing a form of effective colonial government” (2011, p. 24). I will write about this colonial government, to give insight on how the EIC operated.

The city of Madras in the south of India, today called Chennai, was used as a base and harbor for the EIC and was a city where trade would take place. Madras was not solely a trading post, but was also a colony in which the EIC had political power. I will give example

of how the political governing looked like, examples from Stern's chapter. To begin with, they established a high judicature court in Madras in 1678 (ibid, p. 13). The government in Madras forbade private inhabitants to collect taxes if they did not have permission from the council. The company also took control over infrastructure and urban design and started to build streets. These street plans were, in 1683, said to be for the "publique good and accommodation of the generality of the Inhabitants" (ibid, p. 18). One other important indicator of the political power that the EIC had over the locals in Madras during the 17th century was that they did not allow Portuguese inhabitants to have their own judiciary system. Instead, the Portuguese had to follow the company's laws and criminals were punished in accordance with these laws. The laws were transferred from colony to colony and were especially effective when it came to moderating and breaking up rebellions (ibid, p. 14-17). The rebellions are something I will get back to this later on in this chapter. In addition to this, the EIC could send convicted felons where they wanted. For example, they sent the "ringleaders" of people convicted for theft and murder from Madras to other colonies or cities. The convicted felons in Madras could be moved to another colony where the company would use them as slaves (ibid, p. 15-16). In summary, the EIC had the power to convict people as they implemented their own laws. They also had the power to move the felons around as the company wished.

The EIC also wanted to divide the local inhabitants of Madras from the company officials, by letting the company officials and garrison officers wearing certain "umbrellas of state" to distinct themselves from the rest of the inhabitants (ibid, p. 16). I interpret this action as a way to demonstrate the company's political power and their authority over the people. Having given examples of what the political power in Madras looked like, I will continue with the city of Bombay.

The city of Bombay, today called Mumbai, consists of seven islands in the west coast of India. It became a stronghold (or colony if you will) in 1661, when it was transferred from Portuguese rule to the English king. The rights and sovereignty that the EIC had in Bombay was to defend the island by the use of martial force and to draw rents and assess taxes. All of these rights were in accordance with British law. In Bombay, there was also a Court of Committees that had the power to issue fines to people who misbehaved. The people who were members of these courts were colonial governors and local landholders (ibid, p. 7-10).

One of the things the Court of Committees decided was that English women should come to the settlements in Madras and Bombay. The reason for this was because they wanted the women to "... settle, marry, and procreate in these colonies". There are records where it is

stated that a few British women came to Bombay and Madras in 1678. Were you to marry someone in Bombay, you had to commit to staying there for at least seven years.

This goes to show what the EIC had planned for the settlements and that they had a motive of wanting British people to move to India in order to build a community and to work for the company. As previously mentioned, Stern's chapter is called "*Planning & Peopling Your Colony*" and this demonstrates that they were doing just that. In 1675, there lived around 200 British people in Bombay and in 1699 one quarter of the population in Madras were employed by the company (ibid, p. 25-26).

To sum up, the EIC had as an objective to develop trade (Brewer, 1980, p. 53), but with the establishment of the company also came political power. The council, the governors and the EIC had political power and that they were implementing it in the cities. This might not be hard to understand considering the circumstances that the EIC operated under. Operating as a merchant was arduous since they were in a territory where they, in some cases, were not welcomed and where they even abused the local inhabitants. The colonial governors and lords were controlling the inhabitants by administering justice and issued fines if people were misbehaving. For example, in 1668 the governors in the committee in Bombay had appointed laws that had to do with everything from military and religious matters to criminal offences. This type of administering was seen as a natural way of behaving since the colonies were said to be governed by British law and it was supposed to keep the inhabitants loyal to the company (ibid, p. 10-11). If the EIC's own laws weren't enough, they implemented British law instead (ibid, p. 13).

4.3 Coping with rebellion

As I mentioned, rebellions and uprisings occurred that jeopardized the company's existence in the Indian cities. Stern writes in "*Planning & peopling your colony*" that the purpose of the councils and the courts of the EIC was "to maintain respect for government, from within and without, and satisfy the needs of inhabitants for both public order and the resolution of civil conflict" (2011, p. 14). Here we understand that the EIC felt the need to resolve civil conflict. As a way of, perhaps, resolving these conflicts, the EIC could take control over troublemakers and the felons. The EIC had power over condemned rebels and could decide their fates (ibid, p. 15-16). The power over the convicted felons and rebels was practical and effective for the EIC when they wanted to rid themselves from rebellions. If it would not have been for their

judiciary system, they might not have been able to withstand the opposition. The political overtaking, governing in the cities and focus on military strength was necessary for the EIC during the 17th century since conflicts between the Dutch and the Portuguese intensified (Sivramkrishna, 2014, p. 799).

4.4 Discussion

What I want to find out in this thesis is why the EIC took political power in Madras and Bombay, since they essentially were said to be a commercial firm. I will in the discussion part tie the analysis together with the theory in order to see if I can answer the question this thesis is about.

4.5 Creating a new market

After having concluded that the EIC had political power in Madras and Bombay, I am using Marx and Lenin's theories to tie together with the case. Firstly, Marxist theory states that imperialism is bound together with the economic system of capitalism. In one letter from the rulers in London, sent to Bombay's second governor Gerald Aungier, it said: "... our business is to advantage ourselves by trade and what government we have is but the better to carry on and support that" (Stern, 2011, p. 30). We know that the EIC was engaging in private trade under a capitalist system and had as purpose to trade (Berg et al, 2015, p. 130).

Secondly, according to Marx and Lenin's way of thinking, states would engage in colonialism because capitalists want to find new markets to exploit. Searching for foreign markets is done by capitalists in order to produce surplus value, i.e. profits. In India, the EIC could produce products that they could not produce in their home market, for example cotton (as earlier mentioned in the analysis). Thus, they created a market for the products, partly by exporting them. If the state heavily relies on export of capital, then the state will most probably implement imperialist policies, as said before in the theory section. Lenin stated that capitalists will move capital to foreign states with an aim of producing surplus value.

Competition is key in capitalism and in the free market, since it gives incentive to capitalists to keep on producing and investing (Brewer, 1980, p.35). On the market that the EIC was trading, they had to compete with other European sellers as well (Berg et al, 2015, p. 126). This could also be seen as a reason to keep expanding trade through India, to not lag behind on the market and to continue making profits.

Another way that the Marxist theory would explain the reasons behind the EIC's colonial

policy has to do with the monopoly stage of capitalism. The market that the EIC was participating in was competitive (Sivramkrishna, 2014) and the EIC was in some cases acting as a monopoly and had a monopoly on different commodities (Berg et al, 2015). When capitalists start to monopolize, the competitive stage is followed by a stage of concentration of capital. This stage will, according to, follow by imperialism and since the EIC was acting as a monopoly in India, it gave them incentive and the possibility to keep on expanding (Milios et al, 2009, p. 10). Lenin writes: “If it were necessary to give the briefest possible definition of imperialism we should have to say that imperialism is the monopoly stage of capitalism” (1917, p. 127). When capital becomes concentrated and centralized in big companies, smaller capitalists are forced to leave the market and the businesses tend to get monopolized (Brewer, 1980, p. 82).

4.6 The reason for governing

In the 19th century, Marx studied British colonialism in India profoundly. He wrote that the EIC became a political institution in the year of 1784 and argues that the reason they had not become a political institution before this year was because they “...had first to conquer existence and importance...” meaning that they initially were not important enough to the Parliament or to the local inhabitants in India (1853, p. 48). However, Emily Erikson and Sampsa Samila, authors of the paper “Colonial Institutions and trade Patterns” wrote that the EIC was a commercial company primarily from the years 1600 to 1757 and then changed to become more state-like, while still continuing trading (2015, p. 96). Samila and Erikson were of course right about the EIC being a commercial company during this time period, but what I have found in my textual analysis is that the actions of the EIC in 17th century Madras and Bombay were not simply commercial. They were governing by setting up political institutions (such as the Court of Committees in Bombay) and that they were in charge of a legal system.

Why then did the company, who was initially in India because of trading purposes, feel the need to act like a political institution, or a state, who had to govern with laws? Marxist theory would explain this in a few ways. One way is by stating that the EIC’s trade within India would not have been profitable if the EIC did not take political control. Taking political control in Madras and Bombay enabled the EIC to have control over workers, commodities and means of production. Control over workers came with the EIC’s judicial system. Governing is thus helpful when it comes to taking over new colonies. It can be said that in

order to maintain its position, the capital needs a state (Milios et al, 2009, p. 21).

As before mentioned, the British government was involved when it came to governing the colonies and setting up political institutions in the colonies. Not only did the British government help with governing, but they also provided financial aid. Since the costs of the military and administrative occupation of India was large, the EIC needed some sort of financial aid. The involvement of the British government eventually made the company more state-like (Brewer, 1980, p.53).

Lenin claims that imperialism is the highest stage of capitalism and that the final stage of capitalism is a stage of falling profits. Whether or not it was a stage of falling profits in the EIC's case I cannot say, but what I can say with help of theories is their reason for wanting to govern during this time period. Using governmental policies facilitated for the company to rule.

In summary, according to the theories that I have used, it was because of the aim of financial profit that the EIC acted as they did in Madras and Bombay. In order to continue making profit and to expand their market, they had to colonize the Indian cities by taking political control.

5 Conclusion and future research

The question that I wanted to answer in this thesis was: *Why did the East India Company take political power during the seventeenth century in Madras and Bombay?* I tried to answer the question by doing a qualitative content analysis on a chapter from the book *The company-state: corporate sovereignty and the early modern foundation of the British Empire in India* written by Philip J Stern. I then used Marx's theories about capitalism and imperialism and Lenin's theory about imperialism, to explain the EIC's actions in seventeenth century Madras and Bombay.

The EIC settled in India from the beginning seemingly with the intention of developing trading posts. While in Madras and Bombay, they took control over inhabitants by implementing their own laws. They could hand out fines, convict felons, make decisions about infrastructure and have their own courts that had judicial power.

The theories would explain it as following: the EIC wanted to make profit by expanding and creating new markets. Everything that was a threat to these profits, would have to be eliminated, including rebels. According to Marx and Lenin's theories about imperialism, we can explain why the EIC wanted to govern. One part of it was because they needed financial aid from the state. The involvement of the state made it easier for them to govern and the governing, in turn, helped them prevent and control oppression. Governing in Madras and Bombay was thus a necessity to secure the market. Another part of the explanation has to do with facilitating the production, by taking political control over workers, commodities and the means of production.

5.1 Further research

The EIC's motives and intentions can be interpreted and analyzed in different ways and I have in this thesis used a Marxist theory while analyzing the EIC's actions in Madras and Bombay. I hope this thesis can be of use in further study of the British East India Company. When it comes to further research, it would be interesting to do a study with the same question formulation as the one I have used in this thesis, but to use primary sources as source material. One could then use transcripts from the British Parliament, or read letters sent from the rulers in London to the East India Company in for instance Madras and Bombay.

Otherwise it would be rewarding to continue the contribution in the field of the EIC during

the 17th century since that century has, in my opinion, not been as thoroughly researched. In addition to that, because the EIC was already governing in that part of history, it is interesting to know more about it. Although, the fact that it might have left out in the studies about the Eic, might because because of logical reasons, since it can be difficult to find relevant source material from that time period.

Another way to do a study about this subject in the future is to use other Marxist thinkers that might not be as common to use in the debate about imperialism as Lenin is. Marxist thinkers as perhaps Rosa Luxemburg or Rudolf Hilferding would be interesting and relevant since they have both written about imperialism, in a different matter than Marx and Lenin.

The EIC has been thoroughly studied, but since there is no consensus regarding why the EIC underwent a structural change, this field will continue to be stimulating to study.

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