THE RISE OF THE BRITISH MANAGING AGENCIES IN NORTH EASTERN INDIA 1836-1918

M. G. Manton.

School of Oriental and African Studies

MPhil

ABSTRACT OF THESIS

This thesis takes as its subject the foundation and rise to commercial power of the British Managing Agencies in Calcutta in the nineteenth and early twentieth centuries. As private partnerships they initiated and controlled a substantial body of commercial, industrial and agricultural concerns, in transport, coal, jute, financial services and, importantly, in tea.

This topic has been largely ignored by other business historians, who have preferred to study the Managing Agencies' eventual decline and extinction during the following half-century. However, it is equally instructive to examine the health and vigour that propelled young businesses towards the power and prosperity which blossomed before 1914.

The thesis examines in some detail five Managing Agencies and the individual entrepreneurs who founded and ran them, necessarily selected according to the availability and usefulness of primary sources but providing a reasonably representative range of characteristics and business activities. In the course of this examination the thesis also examines the industries in which they were particularly engaged – jute, transport, tea, coal and indigo.

However the insistence of Indian nationalist historians on the privileged position of British business rather than the merits of its performance which has suggested the issues which the thesis particularly examines:

> the degree of commercial skill possessed by British incomers;
>
> the impact of imported British technical innovation, notably steam power and mechanised jute textile production;
>
> the possibility that British commercial interests colluded to erect barriers to entry for Indian entrepreneurs;
>
> the importance of access (possibly preferential) to British investment capital and bank finance;
>
> the extent of preferential support from the imperial government;
>
> the absence of competitive Indian entrepreneurial activity before 1914.

CONTENTS

The Managing Agency institution

This thesis takes as its subject the foundation and rise to commercial power of the British Managing Agencies in Calcutta in the nineteenth and early twentieth centuries. As private partnerships they initiated and controlled a substantial body of commercial, industrial and agricultural concerns, in transport, coal, jute, financial services and, importantly, in tea.

Maria Misra summarised the position: "By the late nineteenth century there were about sixty significant managing agency houses, of which a dozen had capital assets of between £100,000 and £2 million. Most British private direct investment in India in the colonial period was represented by the Managing Agencies, and by 1914 they controlled capital of over £200 million in India."[1] If there were sixty such firms, each with an average of four partners, it is indeed remarkable that fewer than 250 mainly Scottish entrepreneurs were collectively responsible for generating such growth. This invites an exploration of the factors which contributed to their achievement: those personal qualities which made them entrepreneurs; the context of a rapidly developing commercial and technological environment; the apparent lack of indigenous competition.

This topic has been largely ignored by other business historians, who have preferred to study the Managing Agencies' eventual decline and extinction during the following half-century. Maria Misra is one such, and more substantially B. R. Tomlinson has returned to the subject of "decolonisation" several times.[2] It is as though a forensic dissection to find the cause of death is seen as more instructive than an examination of the health and vigour that propelled young businesses towards the power and prosperity which blossomed before 1914.

---

1 Maria Misra, *Business, Race and Politics in British India c. 1850-1960*, Oxford, 1999, pp. 3-4.

2 B. R. Tomlinson, *The Political Economy of the Raj: the Economics of Decolonisation 1914-1947*, London, 1979; 'Colonial Firms and the Decline of Colonialism in Eastern India 1914-1947', *Modern Asian Studies* 15, 3 (1981), pp. 455-86; 'British Business in India 1860-1970,' in R. P. T. Davenport-Hines and Geoffrey Jones [eds], *British Business in Asia since 1860*, Cambridge, 1989; *The Economy of Modern India: 1860-1970*, Cambridge, 1993.

Although most of them were started in the mid-nineteenth century it was not until 1936 that the Managing Agency achieved a legal definition: "a person, firm or company entitled to the management of the whole affairs of a company by virtue of an agreement with the company and under the control and direction of the directors except to the extent, if any, otherwise provided for in the agreement and includes any person, firm or company occupying such position by whatever name called".[3] What this meant in practice was that a Managing Agency effectively had total control of the managed company, with the shareholders exercising no more than nominal authority.

Mostly the firms started very modestly with two partners and perhaps an assistant, as a conventional agency house (what would be called an import/export agency today). They traded opportunistically in a wide variety of goods. For example, Finlay's, a substantial Scottish concern and to that extent atypical, opened their Calcutta branch office relatively late, in 1870, and it exported raw cotton, imported cotton piece-goods, and to a lesser extent coal, iron and other metals. Shellac, hides, vegetable wax, buffalo horns, rice, yarn, silk, jute and gunnies were shipped with varying success while salt, beer and wine were imported.[4]

To these functions the agencies soon came to add the promotion of new enterprise, forming companies, drumming up investments, investing some of their own money and, most lucratively, providing management services on very long contract. In north-east India they promoted tea estates, jute mills, coal mines, shipping lines, flour mills, paper mills, cement factories, engineering and construction concerns and even ice factories. In the twentieth century there were also Managing Agencies operating in western India, mainly in the cotton industry, but here the British were much less successful in gaining a substantial foothold, and after a few false starts they left the field to Indian business. The exception was Finlays', who managed three cotton mills in the West in the twentieth century.

---

[3] In the Amending Act of 1936, amending the Companies Act of 1913, cited in Lokanathan, *The Managing Agency System*, p. 19.

[4] [James Finlay & Co.] *James Finlay & Company Limited: Manufacturers and East India Merchants 1750-1950*, Glasgow, 1951, p. 90.

R. S. Rungta provides a useful table of companies founded or existing in Calcutta in the early days between 1817-1850:

		Managing Agents
Bengal Bonded Warehouse Association	1838	
Calcutta Docking Company	1830	Rustomji Cowasji
Steam Tug Association	1837	Carr, Tagore & Co.
Union Steam Tug Association	1850	Apcar & Co
Eastern Steam Navigation Co	1848	
Benares & Mirzapore Steam Co	1847	
Calcutta Steam Ferry Bridge Co	1839	Carr, Tagore & Co.
P &O Steam Navigation Co (reg in UK)	1840	
India General Steam Navigation Co	1844	Carr, Tagore & Co
Bengal Coal Company	1820[5]	Carr, Tagore & Co
Sylhet Coal Company	1847	
Bengal Indigo Company	1848	
Assam Company (reg in UK)	1839	
Bowreah Cotton Mills	1817/18	
New Fortgloster Mills Co	1848[6]	

Notably no British Managing Agencies were listed as operating then.

The pioneering enterprise of Dwarkanath Tagore and his British partners in Carr, Tagore, founded in 1834, set out a blueprint[7] for Managing Agency practice in 1836 when they promoted the formation of the joint stock Calcutta Steam Tug Association and assumed its management.[8] This pattern, deliberately or not, was followed closely for as long as the system survived, including the opportunities for playing both ends against the middle where interdependent companies were under the same management. The history of the rise and fall of Tagore's remarkable business is brilliantly detailed by Blair B. Kling[9], and its fall undoubtedly cast a long shadow over the decade following the failure of the

[5] Rungta derived this date from E. J. C Stewart's *Facts and Documents relating to the Affairs of the Union Bank of Calcutta,* Appendix E, Calcutta, 1848, but Kling (see footnote 10) states that Naraincory Proprietors, creditors of Gilmore and Company, "in 1843 …joined with Carr, Tagore and Company to form a joint-stock association, the Bengal Coal Company, which remained under the management of Carr, Tagore and Company."
[6] R. S. Rungta, *The Rise of Business Corporations in India 1851-1900,* Cambridge, 1970, pp. 274/75.
[7] *Ibid.,* p. 225, suggests that the true prototype was the appointment of Mackintosh, Fulton & McClintock by the Union Society, an insurance business formed in Calcutta in 1814, but this seems somewhat specialised and academic.
[8] Blair B. Kling, 'The Origin of the Managing Agency System in India', *Journal of Asian Studies,* 26, 1, (1966), p. 37.
[9] Blair B. Kling, *Partner in Empire – Dwarkanath Tagore and the Age of Enterprise in Eastern India,* Berkeley, 1976.

Union Bank in 1848 and of Carr, Tagore itself soon after. But the other businesses Carr, Tagore built, by promoting initial investment and by assiduous management, survived the catastrophe: The Steam Tug Association (1837), The Bengal Tea Association (1839 – merged into the Assam Company), the Bengal Coal Company (1843) and the India General Steam Navigation Company (1844) all flourished, the last two well into the twentieth century.

The published statistics show that by 1956 companies under Managing Agency control accounted for 71.2% of the paid-up capital of all public companies in India excluding banking and insurance. Between them, the 17 leading managing agencies managed 359 companies with an aggregate paid-up capital of Rs 114 crores or 25% of the total paid-up capital of all companies under the managing agency system; and 33% of the total paid-up capital of the jute, iron and steel, cement, paper, tea and coal industries. [10]

The contribution made by the Managing Agencies to the Indian economy is partly illustrated by the changes over time in the share of India's total exports of three important export commodities which they were active in promoting:

	Jute* %	Tea %	Indigo %
1860-1	1.1	0.5	5.7
1870-1	0.6	2.1	5.8
1880-1	1.5	4.2	4.8
1890-1	2.5	5.5	3.1
1900-1	7.3	9.0	2.0
1910-11	8.1	5.9	0.2
1920-1	22.1	5.1	-
1930-1	14.5	10.7	-
1935-6	14.5	12.3	-

[11]

*manufacturers

However, the selective emphasis of economic histories and, indeed, the selective availability of archival material discount the major economic activities in non-export fields to which the Managing Agencies contributed. While shipping (Mackinnons) can certainly be categorised as export-orientated, railways and coal

[10] Raj K. Nigam, *Managing Agencies in India (First Round: Basic Facts)*, Department of Company Law Administration, Ministry of Commerce and Industry, Government of India, cited by P. S . Lokanathan in *The Managing Agency System: A Review of its Working and Prospects of its Future*, National Council of Applied Economic Research, Delhi/Bombay, 1959, pp. 38-41.

[11] Tomlinson, *Economy of Modern India*, p.52, citing R. K. Chaudhuri, 'Foreign Trade and Balance of Payments (1757-1947)', *Cambridge Economic History of India*, 2, table 10.11.

mining (Birds' and Gillanders) were export-led only to the extent that they served shipping. In addition, at least two Managing Agencies not studied in detail in this thesis developed entirely domestic enterprises: Balmer Lawrie managed an engineering and construction company, a flour mill, a paper mill, a cement factory and an ice factory; Octavius Steel managed substantial concerns in electricity generation and distribution, starting with the first street lighting in Calcutta, as well as a limestone processing factory and a sugar mill.

The Managing Agencies also handled more modern and substantial import business than in the earlier days of the agency houses, when a miscellany of goods were often imported speculatively, with the trade in cotton piece-goods dominant. From the later nineteenth century the Managing Agencies held sole sales agencies for a variety of British (and sometimes European or American) specialist suppliers. The Lawrie archive, for example, details the sales agencies which Balmer Lawrie promoted at the Calcutta exhibition in 1883, and lists twenty-eight of them, of which eighteen were for machinery, three for steel and structures, three for mining and three for miscellaneous products (which would have included Laphroaig whisky). [12] The list included steam engines, tea machinery, portable railway rolling stock, oil, steel, pipes and fencing.

A long time later, in 1934, Arthur Stuart, then *burra sahib* of Balmer Lawrie in Calcutta, wrote and cabled London in strong terms supporting Tata Iron and Steel's demands for an increase in duty on steel imports, in spite of the fact that they held the sales agency for a British steel manufacturer as well as for Tata.[13]

It is, perhaps, ironic that official statistics about Managing Agencies were not compiled until 1954-55, well after Independence, during the run-up to the 1956 Companies Act which effectively passed a death sentence on the Managing Agency system.

The accusation which prompted the legislation was ostensibly that unscrupulous Managing Agencies could manipulate the basis for calculation of their commission to their own advantage rather than that of the shareholders, an opportunity frequently protected by an unreasonably long-term management

[12] Michael Manton (ed), *Camellia - the Lawrie Inheritance*, Wrotham, 2000, privately printed, p. 41.

contract (thirty years in some cases).[14] A nationalistic desire to curtail foreign commercial power was also, of course, a considerable motive, although in fact the principal abuses seemed to be by Indian agencies in western India rather than by British agencies in the north-east.

A history of business in ultimately terminal decline can be seen as a satisfactory proxy for the decline of Empire itself, but it is argued that the effects of the British Managing Agencies' early success were very largely beneficially incremental, and did not displace or suppress or deliberately exclude competitive indigenous activity.

The commercial environment

The sudden burst of commercial activity in Calcutta in the early 1860s was more likely a by-product of the promise of tea than a response to the political changes following the Mutiny. The East India Company's trading monopolies had long gone, but it is possible that there was a new sense of re-established security following the trauma of 1857, and a new sort of confidence:

> To the English from 1859 to the early part of the twentieth century, the Mutiny was seen as a heroic myth embodying and expressing their central values which explained their rule in India to themselves – sacrifice, duty, fortitude; above all it symbolized the ultimate triumph over those Indians who had threatened properly constituted authority and order.[15]

Another, more rational, spur to development will have been the Companies Act of 1857, which allowed limited liability to all companies bar banks and insurance companies, and set out some rudimentary regulations for their conduct. Investment in shares now carried more acceptable risks.

Nevertheless, the "tea mania" of 1862 was preceded by a wave of wildly speculative investment in virtually any business that cared to incorporate itself,

---

[13] *Ibid.*, p. 77.

[14] The most common doubtful practice was to base commission on turnover rather than profit, which encouraged the agency to load expenditure with heavy charges for the procurement of supplies, for one example.

[15] Bernard S. Cohn 'Representing Authority in Victorian India' in *The Creation of Tradition,* Eric Hobsbawm and Terence Ranger, eds., Cambridge, 1983, p. 179.

and this was almost certainly a response to the boom conditions deriving from the rise in cotton prices when the American Civil War erupted. There were many small-scale trading activities which offered the chance of profit to partnerships which were not particular about specialisation and which were not yet in more formal shape as managing agents.

In Calcutta the early establishment of British enterprises was a chaotic process, pursuing random and varied opportunities as they turned up, deploying "smart" instincts and light-footed structures. Quite often they failed: if history is written by the victors, the history of businesses is written by the survivors. Ernest Cable, who joined Bird's in 1880, went on to make it one of the most powerful companies in India, and became a peer in the process, illustrates the point in passing in his charmingly disjointed memoir:

> I was brought out to Calcutta at the age of eleven, as the winters were giving me throat diseases, and completed my education, such as it was, at Mussoorie. On the death of my father I had to do something, and so I gave up studying to be a civil engineer and my mother made Morgan, of Ashburners, give me a post at Rs 100 a month, at the age of 17, in 1877; in (I think) 1880 I joined Lyall Rennies (Ashburners having closed) and when the latter firm failed Bird's took me on at Rs 300 a month.[16]

Dead partnerships were buried in an unmarked grave, but the death of companies was registered. Rungta provides a sobering table showing that, out of 1,149 companies registered in India between 1851 and 1882, 646 were wound-up, a brutal casualty rate which suggests that the survival of our entrepreneurs was not only a question of physical health. The total of wound-up companies includes 55 in tea, 8 jute mills, 3 in coal and 36 in navigation.[17]

"Men of ordinary ability and initiative"

In north-east India the scale of the British business success and of the dominance it achieved in the following fifty years invites enquiry into a number of issues. This thesis examines in particular how the commercial context of mid-nineteenth

[16] M. S. Jacomb-Hood, *A History of Bird & Co 1864-1929*, Calcutta, 1929, pp. 19-20.
[17] Rungta, *Rise of Business Corporations*, p. 284.

century Calcutta favoured the creation of new enterprise, and what may have been the specific triggers for new endeavours – legislative change, technical developments and botanical discoveries among them. It also studies the reasons for the absence of effective indigenous competition, but questions the contentions that it was the result of British political hegemony, of barriers to entry set up by deliberately restrictive commercial collusion, of restricted access to British finance, or of simple racial antagonism.

More broadly it is necessary to attempt some explanation for the success of a small group of men, most of whom were of modest means and modest skills, who may well have made the voyage to Calcutta with high hopes but who will not have had any clear perspective of the shape of the future, for example in terms of a resolve to dominate a particular industry. A historian must take care not to attribute visionary prescience to any of the individuals, who in the 1860s would certainly not have recognised the possibility of the dominance they would achieve, nor have described the path ahead in the contemporary American frontier phrase "manifest destiny".

Most scholars ascribe the success of the British Managing Agencies to their ability to import commercial know-how into a fledgling economy. The American D. H. Buchanan, writing in 1934, says:

> This period of industrial development and investment coincided with one in which business ability and capital were flowing from Europe, and from the British Isles in particular, out into various parts of the world – the United States, Canada, Australia and South Africa, not to mention the West Indies, China and Malaya. India could hardly fail to be touched, for it possessed large amounts of raw material, ready markets and an abundant supply of untrained but cheap and tractable labour. As Indians themselves were unfamiliar with the conduct of modern business, entrepreneurs and capital had to be imported. With pioneering and colonising traditions, Englishmen and Scotsmen naturally came to fill the need.[18]

Buchanan's paternalistic tendencies, which permeate his book, are in evidence here. But he does not attempt to substantiate his claim that Indians were unfamiliar with the conduct of modern business, even after a long period of working with the East India Company; nor does he explain why capital had to be imported.

S.K. Basu, writing in 1958, says:

> History, geography and economics, as it has been well observed, have all combined to create and develop the Managing Agency system which is India's unique contribution in the field of industrial organisation...[Possibly a truism: it is difficult to think of an industrial organisation which is not the product of history, geography and economics.] ...Its origin can indeed be traced to the social and economic conditions which prevailed in India at the time when the monopoly of trade was lost by the East India Company. In the beginning of the nineteenth century, India offered plenty of opportunities to enterprising business men. There were, however, important obstacles in the way of the exploitation of these business opportunities. First, there was a shortage of entrepreneurship; secondly there was a dearth of venture capital; and last but not least, there was a lack of technical and particularly managerial knowhow. The Managing Agency system was evolved to meet this challenge.[19]

Basu does not explain what he means by entrepreneurship nor why there should be a shortage, and repeats Buchanan's claim that there was a shortage of capital. It is certainly likely that there was a lack of technical expertise at a time of rapidly developing engineering techniques, but it is anachronistic to suggest that "managerial know-how" was an established skill at the time.

A. K. Bagchi, writing in 1972, says:

> The initial advantages of the British businessmen in most fields of industry could not be doubted; they were, after all, in touch with the world's pioneer industrialising country.[20]

Bagchi had some more critical things to say about the British, but here is clearly supporting the idea of superior British knowledge as one key to their success.

Maria Misra, writing in 1999, said very much the same thing, although she perceptively adds to the list of the Managing Agencies' strengths "a reputation for reliability and creditworthiness":

> The Managing Agency structure had been an ideal solution to the problems of Indian industrial development in the middle and late nineteenth century. At a time when there was a shortage of modern entrepreneurial skill, no organised capital market, and a high level of general uncertainty and risk, the managing agents provided venture capital, management skills, and a reputation for reliability and creditworthiness...
>
> So both the agencies, who were able to mobilize the scarce resources of capital, entrepreneurship and management in late nineteenth century India, and the

[18] D. H. Buchanan, *The Development of Capitalistic Enterprise in India,* New York, 1934, p. 143.

[19] S. K. Basu, *The Managing Agency System in Prospect and Retrospect,* Calcutta, 1958, p. 1.

[20] A. K. Bagchi, *Private Investment in India 1900-1939,* Cambridge, 1972, p. 186.

> companies and investors who enjoyed the security of agency management, benefited from the system.[21]

Misra's research was principally focussed on Gillanders, Arbuthnot, who did indeed export managers with solid business experience and access to British capital finance, as did James Finlay & Co, examples which make these explanations plausible, but they were exceptional. Most of the individual arrivals did not have serious money of their own to invest, had few if any wealthy contacts, had only the most rudimentary management skills – clerical and book-keeping for the most part – and had yet to make any kind of reputation. At least four of those who would come to head important Managing Agencies (J. H. Williamson of Williamson Magor, the brothers Bird of Bird & Co., and C. H. Arbuthnot of Gillanders, Arbuthnot) were maritime captains, some deploying their specialist abilities skippering the new steam-driven shipping on the inland waterways, until the lure of commercial opportunity brought them ashore. Walter Duncan could boast only of a year's apprenticeship in a Glasgow firm of merchants and a year in the West Indies (where he was sent to close down a business), before he came to Calcutta at the age of 24 as a partner in a firm importing cotton piece goods from Glasgow. Alex Lawrie was 19 when he came out to Calcutta to join W. H. Smith, Barry, with only two years' clerical experience behind him. That they had the makings of talented entrepreneurs is evident from their subsequent careers, but they were not sophisticated commercial operators when they arrived.

Perhaps the scholar with the most realistic understanding was Lokanathan, who said in 1935:

> The past was the golden age of the Indian industrial development. There was such a vast, unexplored field that the way was very smooth, and men of ordinary ability and initiative were able to pioneer in those years.[22]

In a more rhetorical passage Clive Dewey, writing in 1993 about the Indian Civil Service, described the impact of the Indian environment: "India provided the element of scale, of expansiveness, which was essential to the full development of the middle-class mind. It turned clerks into proconsuls, subalterns into

[21] Misra, *Business, Race and Politics*, pp. 68-69.
[22] Lokanathan, *Industrial Organisation in India*, London, 1935, cited in *The Managing Agency System*, Bombay, 1959, pp. 2-3.

strategists, traders into merchant princes – and day-dreamers into philosopher-kings."[23]

The emigration option and its risks

As we have seen, the new arrivals in Calcutta were by no means aspirant mandarins. Their education will have been adequate, and in the case of the Scots more than that, but they typically left school at sixteen or seventeen. They were usually from middle-middle or lower-middle class families[24] and would not have had the upper-middle class options of a Church of England living or the purchase of an Army commission readily available to them. The class structure was, of course, different in Scotland, where educational opportunity was not a restricted privilege and where merit was a more important determinant than family background, but even there the 'mandarin route' was quite out of their families' reach – Haileybury College, followed by two years at university (preferably Oxford) and two years at a crammer before taking the fiercely demanding ICS examination.. But they all needed jobs at a time when a reduction in child mortality had increased the supply of literate or numerate young men faster than jobs for them were being created at home, either in the family firm or elsewhere.

Going abroad to "seek your fortune", or for reasons of conscience, had been a familiar choice in Britain for the previous two hundred years (if sometimes made from desperation or even under duress). Ferguson writes that "between the early 1600s and the 1950s, more than 20 million people left the British Isles to begin new lives across the seas". [25] India was no longer the preserve of those with good connections at the East India Company. R. K. Renford, quoting the 1881 Census Report, says:

[23]Clive Dewey, *Anglo-Indian Attitudes: The Mind of the Indian Civil Service*, London, 1993, p. ix.
[24] The birth certificate in the Public Records Office of Stephen Balmer, a founding partner in Balmer Lawrie, shows his father's occupation as "labourer".
[25] Niall Ferguson, *Empire: How Britain Made the Modern World*, London, 2003, p. 53.

During the decade 1871-81 some two and a quarter million emigrants had left the United Kingdom. For most of these men and women America and Canada were the promised land, but as the opening of the Suez Canal in 1869 made the voyage to India quicker and less rigorous and as news of the opportunities there filtered through, or the pull of family tradition made itself felt, significant numbers tried their luck in Asia. By 1881 the non-official UK-born population in India had grown to some 29,000, approximately double its numerical strength of twenty years previously.[26]

However, those who went earlier did not enjoy the benefits of the Suez Canal and had to face the hazards of the six-month voyage round the Cape, or the more expensive "overland route", across the Sinai peninsula in a camel train. Although these were relatively commonplace voyages by the mid-nineteenth century, shipwreck was frequent enough to represent a real danger. Those who made the voyage had to learn to accept risk.

One archival source touches on the voyage in an earlier decade. The letters of James Stuart to his mother begin with his description of his fast passage from Spithead in August 1840 round the Cape, arriving in Calcutta in January 1841 to take up a "position" at Carr, Tagore.[27]

In addition to the risks of the voyage to Calcutta, some faced onward voyages by inland waterways in "country boats" powered by human (and in particularly favourable places animal) muscle, and only occasionally by sail. Wrecks through tempest and flood and bad navigation were frequent, and even if the passenger could escape by wading ashore, he faced a hostile jungle. The voyage up to Assam through the Sunderbands and along the Brahmaputra river could take a further three months. Some of these experiences are mentioned in the Lawrie archive, and the subsequent growth of steam-powered inland shipping is explored by Percival Griffiths in *A History of the Joint Steamer Companies.*[28]

The risks of fatal illness were high in Calcutta and up-country, with malaria, tuberculosis, dysentery, cholera, and occasionally bubonic or pneumonic plague taking a high toll. Many of the new arrivals (and their wives and children) died

[26] R.K. Renford, *The Unofficial British in India to 1920,* Delhi, 1987, p. 36.
[27] The originals of James Stuart's letters are stated by Blair B. Kling to be in the archives of the Rabindra Bharati University in Calcutta, in "the Kshitindranath Tagore m/s collection". Typed transcripts (probably arranged by A.N. Stuart when he was in Calcutta) are in the possession of the Stuart family and copies are in the Camellia archive.
[28] London, 1979.

young, as the old British cemeteries in Park Street in Calcutta and in the *mofussil* record.[29] On tea estates a remarkable number of deaths were caused by wild animals and snakes (even if the numbers grew as the tales were re-told): there are several memoirs by planters in the Lawrie library.

Ferguson tables a proxy indication of mortality risks, showing the death rate among British soldiers across the Empire between 1817 and 1838. Bengal is shown to be the highest-risk area in India, at one in fourteen, and one of the four highest-risk areas in the world.[30]

Did the traditional tales of wealth available for the taking, of shaking the inexhaustible pagoda tree, also warn of the dangers? They cannot have been entirely unreported, and it is likely that the young man who chose to face or, more likely, ignore them had some insouciant courage, even at a time when the risks of death from injury or disease in Britain were acknowledged but not dwelt on as an inescapable everyday reality (but nearly five times less dangerous than Bengal according to Ferguson's table).

Nevertheless, the British kept coming. Renford quotes these Indian census figures:

> In 1861 there were...some 15,000 UK-born non-officials in India (up 8.000 from 1851 [the partial first Census])... Of the 1,300 British mercantile non-officials in India some 500 were in Calcutta...there were recorded in all British India only 192 indigo planters, 122 tea planters, 96 coffee planters and a mere 53 land proprietors who were British born.

Undoubtedly India was seen as a "land of opportunity" by those with courage and an adventurous spirit, those with the makings of entrepreneurs.

The entrepreneurs who founded the Managing Agencies in India were mostly Scottish, a disproportionate preponderance which reflected the global profile of British emigrants and dated back to the particular profile of the East India Company's early recruits. Ferguson states that " The East India Company was at the very least half-Scottish."[31]

[29] Two of Alex Lawrie's partners died within three years of setting up the first partnership in 1867.
[30] Ferguson, *Empire*, p. 73.
[31] *Ibid.*, pp. 39-40.

Ferguson, himself a Scot, attributes the disproportion to a "greater readiness to try their luck abroad", but it seems more likely that economic pressure from an over-supply of well-educated young men was the underlying cause.

Indian participation in business

It must be accepted that India was to an extent a protected environment for British enterprise, being under British administration, unlike, for example, China and South America, but the truism that "trade follows the flag" did not, strictly speaking, apply to India, where the East India Company had established substantial trading interests well before using military force to protect and extend them. Nevertheless, the existence of Empire as a trading environment was by no means immaterial, a factor which this thesis explores

In north-east India in the late nineteenth century, after Tagore's failure, British business had little or no competition from indigenous enterprise, in contrast to the West, where Parsi and Gujarati interests were already gaining a dominant commercial position.

Chronologically, the first to examine this peculiarity was the German scholar Max Weber, who followed his seminal *The Protestant Ethic and the Spirit of Capitalism,* first published in German in 1904/5, by extending his studies from Christianity to other world religions, including *Hinduismus und Buddhismus*[32]. However, English-speaking readers had to wait until 1930 for publication of a translation of *The Protestant Ethic* and until 1958 for a translation of *The Religion of India,*[33] and it was not until 1967 that Morris D. Morris came to publish his important and radical critique – "Values as an Obstacle to Growth in South Asia:

[32] Published as one of three volumes of *Die Wirtschaftsethik der Weltreligionen,* included in the critical edition of the collected works, 1916-1920, Tübingen, 1923, from which Weber's original work is generally quoted.
[33] Edited and translated by H.H. Gerth and D. Martindale, Glencoe, Illinois, 1958.

An Historical Survey"[34].

Weber concluded that the effects of Hinduism on Indian economic progress were "essentially negative", deriving not from any specific religious institution or ritual, which "every one of the great religious systems in its way has placed, or has seemed to place, in the way of the modern economy. The core of the obstruction was rather embedded in the 'spirit' of the whole system."[35] Weber invoked the rigidity of the caste system and its inability to respond to change, and he concluded that caste "sustains tradition no matter how often the all-powerful development of imported capitalism overrides it"[36]. Morris summarises the formal position by pointing out that "the hierarchy of castes favours those – Brahman and Kshatrya – whose functions are unconcerned with direct productive activity or accumulation of wealth."[37] But Morris goes on to doubt the reality of caste obstacles to economic enterprise:

> if...Hindu theology contained many strands, it is certainly possible that these could have been extracted and combined in a variety of ways to rationalise or stimulate a variety of economic behaviours ranging from the most passive and otherworldly to the most aggressive and profit-maximising.[38]

Gujarati and Marwari entrepreneurs were subject to the same Hindu ritual restrictions as their Bengali counterparts but seem to have had little difficulty in reconciling them with their own commercial behaviour. Pragmatism can be a powerful modifier of philosophical convictions, as is illustrated by the example of the European reinterpretation of Christian prohibitions on usury. In England, for example, "so far did legislation lag behind reality that as late as 1552 an Act of Parliament prohibited all taking of interest as 'a vice most odious and detestable'. At length, in 1571, this Act was repealed and interest not exceeding ten per cent ceased to be criminal."[39] Similar evasions are recorded in Judaic practice, which sanctioned lending at interest to non-Jews, although the Islamic *Sharia* prohibition is still more generally recognised by substituting equity subscription for loan capital.[40]

---

[34] *Journal of Economic History*, 27, 4 (1967), pp. 588-607.
[35] Weber, *Religion of India*, pp. 111-12.
[36] *Ibid.*, pp. 122-123.
[37] Morris, 'Values as an Obstacle', p. 591.
[38] *Ibid.*, p. 595.
[39] G.M. Trevelyan, *English Social History*, London, 1944, p. 120.
[40] A useful summary is Wayne A.M. Visser and Alastair McIntosh, "A Short Review of the Historical Critique of Usury", in *Accounting, Business & Financial History*, 8,2, (1998), pp. 175 *et seq.*

Morris also argues that since British business development tended to concentrate on export-oriented opportunities, requiring a good knowledge of foreign markets and good contacts within them, Indian business was at a disadvantage. He does not appear to consider the possibility that the Hindu doctrine of the polluting effect of travel abroad may, over many generations, have built a cultural reluctance to engage with foreign trade, and that although foreign trade flourished on the West coast, Parsi traders and Muslim sea captains were dominant.

Morris argues that Bengali entrepreneurs made rational choices in preferring what they saw as the most profitable opportunities – rural marketing, workshop industry and agriculture – to the newer and more risky fields of jute textile manufacture, the railways and plantations. This argument is doubtless partially true, but ignores the very important Bengali risk enterprises generated by Dwarkanath Tagore, as it does the continuing Bengali (and Bihari) involvement in small-scale coal mining and in indigo. And although he dismisses the often-stated argument that Bengali Brahmins were (perhaps like their British landed gentry counterparts) interested only in agriculture, government service and intellectual pursuits, the Calcutta location of the seat of British Government (whose officers shared the same predilections) can scarcely have failed to have an influence. There was an undoubted confluence between caste and social standing, and English (rather than Scottish) middle-class aversion from an occupation in trade as distinct from commerce was (and still is) remarkably similar to a caste restriction but without spiritual overtones.

Certainly Kling supports the argument that the lack of indigenous (specifically Bengali) participation in the modern economy in the late nineteenth century can in part be blamed on the parallel class rather than caste values seen in

> the antibusiness attitudes inherent in the dominant culture of Bengal. This dominant culture reflected the values of the Bengal *bhadralok*...who composed the western-educated middle class. It included a preference for occupations requiring education, the ownership of land, and an idealisation of the casual, simple life of a country gentleman.[41]

[41] Kling, *Partner in Empire*, p. 5.

Kling traces the evolution of the *bhadralok* back to the establishment of British rule in the eighteenth century, and suggests that its attitudes crossed caste differences and were shared by all those who "enjoyed the reflected prestige of the new rulers, were more or less wealthy, and were interested in European culture".[42] The British creation of *zamindari* property rights in 1793 eventually encouraged prestige land ownership, so that:

> the *zamindar* became a small raja, the effective ruler of the villagers encompassed by his estate, and ownership of a *zamindari* became another measure of social status. Though he might still reside in Calcutta and perform his mercantile or administrative business, the *zamindar* acquired a country home where he could house his dependents and celebrate his holidays...The *zamindar's* sons were not raised in the bustle of city mercantile life, but were brought up as young gentry.[43]

The Permanent Settlement also had the eventual effect of redistributing many holdings, following the dispossession of landlords who defaulted on their tax payments..

An equally important factor, however, (and one ignored by Morris) was the severe discouragement to venture capital investment arising from the financial crisis of 1846 and the disastrous failure in 1847 of the Union Bank, a business built on the European model by Dwarkanath Tagore and his British partners. The failure of the Union Bank may, according to Kling, have had a serious knock-on effect in destroying the confidence of Bengali investors in British-style joint stock companies and commerce in general. The Bank had been refused limited liability status (then conferred only by Act of Parliament) so that shareholders were "jointly and severally" liable for all of the company's debts. The liability of each shareholder was attributed by a "committee" according to assessed wealth rather than size of shareholding. Controversially two wealthy Bengali investors – the brothers Ashutosh and Promothonath Day – were assessed at Rs 300,000 (£1,000,000+ at today's values) although they held only 13 shares between them, and the committee's judgement was not unreasonably suspected of racial bias. The havoc wrought by this catastrophe in the Calcutta business community (explored in more detail in Ch. 1.), and the discriminatory penalties on the two wealthy Bengali shareholders, effectively put a stop to "native" investment in joint stock companies, as a local newspaper noted at the time:

[42] Kling, *Partner in Empire*, p. 6.
[43] *Ibid.*, p. 7.

> As to the natives, who it is so desirable to see becoming members of Joint Stock Companies, the Union Bank affair has given a death blow to their confidence in any such associations. We have heard several highly-respectable natives declare that nothing would induce them to take shares in any of them, and that such was the general feeling among their countrymen...[44]

The first explicit official recognition of the relative weakness of indigenous enterprise, at least in eastern India, did not come until the publication in 1918 of the radical Report of the Indian Industrial Commission of 1916-1918. The report notes that the jute industry had failed to attract Bengali capital investment, but provides no sensible explanation beyond the sheer volume of British investment. It also notes that there was still significant Bengali participation in the coal industry:

> The industry is at the present time by no means entirely in the hands of Europeans, although they are responsible for the working of most of the largest and best developed mines. The majority of Indian enterprises consist of small pits or inclines...The coal royalty owners are the local *zamindars* who under the Permanent Settlement are the owners of the mineral rights. They are at present a class of mere rent chargers who take little interest in the working of their property, although great waste occurs, especially in the mines managed by the smaller interests.[45]

The Report goes on specifically to examine "The Indian in Industries", and reflects then current Government of India policy by explaining that this is "in order to ascertain the lines along which this tendency may be further stimulated". The Report's analysis marks probably the first appearance of the discourse which has subsequently been widely accepted:

> Indian capitalists generally have followed their ancestral tradition of rural trade. and have confined themselves to the finance of agriculture and of such industries as already existed...Traders took advantage of the changed position merely to extend the scale of their previous operations. Like the landlords, they lent money to the cultivators and found a profitable investment in landed property. In trade and money-lending and, to a less extent, financing village artisans, the trading classes found that large and certain gains were to be made; while modern industries required technical knowledge, and offered only doubtful, and in most cases, apparently smaller profits. The failure of the more intellectual classes to take advantage of the new prospects was especially marked in Bengal, where it contrasts with the success of European enterprise. Here and in most parts of India, these classes grasped eagerly at the prospect of Government, professional, and clerical employment...[46]

The Commission also turned its attention to the financing difficulties experienced by

[44] *Bengal Hukaru*, 28 August 1848, cited in Kling, *Partner in Empire*, p. 223.
[45] *Report of the Indian Industrial Commission, 1916-1918*, New Delhi, 1918, pp. 18-19.
[46] *Ibid.*, pp. 71-72.

> middle-class industrialists, who are unable to offer the security of approved names, or of stocks which could be readily disposed if. Indians suffer in a special degree from this deficiency; for, among other reasons, they find it difficult to satisfy a bank, whose directorate and staff are entirely European, as to their financial position...Applicants for assistance are often unable to exhibit their financial position in a form intelligible to a banker.[47]

This complaint persisted in subsequent studies, often with a particular emphasis on the financing advantages enjoyed by British business. However, bank finance, particularly from British banking institutions, was (and still is) a source only of short-term borrowing to provide working capital, not of long term investment funding, and so was not an immediately relevant factor in the establishment of new enterprises. It was equity capital which was required, and here the familiarity of the British with the convenient (but still fragile) techniques of forming a limited liability company may well have given them an advantage over indigenous entrepreneurs.

Nevertheless, the implication that British entrepreneurs in India could call on a host of potential British investors eager to deploy massive wealth is far from borne out by the evidence of the laborious recruitment of small investors from the UK families and friends of Lawrie promoters, or even by William Mackinnon's success in tapping his mercantile friends in Glasgow for relatively small sums. The "big money" seems to have been in Indian hands, with the possible exceptions of Gillanders, Arbuthnot and Finlays'.

This was evidenced by Dwarkanath Tagore's ability to marshal the funding locally for his enterprises, much of it from his personal and family resources; and even by the apparently discriminatory assessments on two of the Bengali shareholders in the collapsed Union Bank, which may well have derived from a pragmatic calculation by the Committee of the distribution of cash resources. European shareholders simply did not have the money to meet the claims.

Indian finance was also freely used by European business, often by advances on the hypothecated value of goods yet to be delivered, as well as extended credit

[47] *Report of the Indian Industrial Commission, p. 213.*

on purchases. Even the well-connected Gillanders, Arbuthnot firm used Indian money to finance their enforced move to new office premises in 1840.[48]

This was not, as might be assumed, a transitional situation while the imperial power strengthened its grasp on the economy – Tomlinson shows that almost a century later in the 1930s:

> The vital factor...was not an alliance with government; it was instead relations with the vast and potentially very powerful 'unorganised' sector of the Indian economy, especially the up-country merchants, bankers and credit suppliers who controlled so much of Indian economic activity...many industrial undertakings depended on rations of credit from their distributors in the form of advances on orders to keep going at all in the 1920s and 1930s. The sources of credit and capital that such distributors possessed were rooted deep in the indigenous economy.[49]

Nevertheless the dissonance between the long-established Indian credit finance system and traditional Western banking practice proved to be an insuperable obstacle to comfortable integration: in particular the trail of Indian debt guarantees back through an unidentified extended family, supported by traditionally axiomatic acceptance of liability rather than by written contract, was unacceptable as security to Western bankers. This fundamental cultural and procedural difficulty suggests that the reluctance of the banks to lend to Indians was not necessarily racially motivated. British trading companies, however, dealt with Indian bills – *hundis* – alongside their own, as was mentioned in passing by Mookerjee of Gillanders, Arbuthnot, describing the financial crisis of 1846: "Drafts, Cheques and Hoondies were drawn against us..."[50] Morris D. Morris makes a parenthetical reference to these factors in commenting on the difficulties in raising working capital encountered by both European and Indian enterprises:

> ...the inability to integrate the *hundi* into the modern credit system despite many attempts, suggests that there were deeper and more complex difficulties than mere lack of will. One factor was the ambiguity of the rights and obligations which afflicted various instruments of property transfer and indebtedness...It is probable that foreign businessmen were operating in an environment where

[48] S. G. Checkland, *The Gladstones: A Family History, 1764-1851*, p. 243.
[49] B. R. Tomlinson, "Colonial Firms and the Decline of Colonialism in Eastern India 1914-1947", *Modern Asian Studies*, 15, 3 (1981), p. 485, citing "especially" "Note of conversation with F. P. Pudamjee 31.7.35", Benthall Papers X, Centre of South Asian Studies, Cambridge.
[50] Mohendra Nauth Mookerjee, *Diary*, Glynn/Gladstone MS. 2744, p.2.

> (despite superficial similarities) technical differences in the structure of property relations made risks different for them than for the native entrepreneur. [51]

This citation is extracted from a long review of A. K. Bagchi's important *Private Investment in India*, a seminal polemic from the Indian nationalist school of economic historians, which has its roots in the nineteenth century: the *Azamgarh Proclamation* at the time of the Indian Mutiny specifically includes among the many grievances the claim: "It is plain that the infidel and treacherous British government have monopolised the trade of all the fine and valuable merchandise, such as indigo, cloth...leaving only the trade of trifles to the people."[52] In the twentieth century the nationalist discourse seeks to identify an Imperialist conspiracy[53] which effectively and deliberately excluded Indian enterprise from participating in the modernisation of the economy.
A memorable statement of the nationalist position was made by the All-India Manufacturers' Organisation in 1944, when there was much resentment of perceived discrimination in Government's awards of wartime contracts.

> Given their much larger world connection and experience, these concerns [non-Indian concerns in India] are able to compete on more than equal terms with the corresponding Indian concerns in the same field. They obtain all the fiscal advantages open to Indians: in addition, they have the silent sympathy from the mystic bond of racial affinity with the rulers of the land, which procures them invisible, but not the less effective, advantage in their competition with their indigenous rivals.[54]

Bagchi goes on to comment:

> However, this social discrimination was complemented and supported by political, economic, administrative and financial arrangements which afforded European businessmen a substantial and systematic advantage over their Indian rivals in India.[55]

---

[51] Morris D. Morris, 'Private Industrial Development on the Indian Subcontinent 1900-1939: Some Methodological Considerations', *Modern Asian Studies*, 8, 4 (1974), footnote 34, pp. 552-3.
[52] Charles Ball, *The History of the Indian Mutiny*, London & New York, 1858-59, Vol. 2, pp. 630-32.
[53] In fairness it should also be acknowledged that Bagchi wrote: "One does not have to believe in either a 'conspiracy' theory of entrepreneurial dominance or a theory of absolute superiority of European businessmen in all fields of activity in order to be able to explain their extraordinary degree of control over the economy of eastern and northern India." *Private Investment in India*, p. 185.
[54] M. Kidron, *Foreign Investments in India*, London, 1965, p. 67, citing The All-India Manufacturers' Organisation, *Indian and International Economic Policies*, 'Statement on the Agenda of the International Business Conference at Tye, New York, mid-November 1944', p. 41, in turn cited by Bagchi, *Private Investment in India*, p. 166,.
[55] Bagchi, *Private Investment in India*, p. 166.

Later he repeats the argument:

> Political, racial and social relationships between the rulers and the ruled did in fact play an important role in determining the relative performance of Indian and European business in India...[56]

Notably Bagchi offers little evidence of specific cases, and reverts several times to his principal discourse:

> But the systematic maintenance of [the Europeans'] advantages definitely depended on erecting barriers to the entry of Indians into their preserves: the control of external trade would to a large extent have served as an effective barrier to entry because the stimulus to any development that occurred there was provided by the impact of expanding world trade. But to the control of external trade was added the almost exclusive monopoly of Government patronage and a remarkable degree of understanding among European traders and industrialists about the ineligibility of Indians as equal partners, particularly in those areas where British political and economic dominance had prevailed for a longer period of time...the most important feature of the relationship between European and Indian capital during the period under consideration, viz., their basic antagonism...the persistent advantages enjoyed by the Europeans not only because of their early start and acquaintance with external markets but also because of the racial alignment of government patronage and the financial and other services supporting and reinforcing European control over trade and industry...[57]

Morris' review is largely concerned with the historiography of South Asian economics studies, as well as with a technical commentary on some of Bagchi's conclusions (Bagchi was an economist rather than a historian). But while Morris does not directly challenge Bagchi's claims of racial discrimination he points out that: "Bagchi does not attempt to make a distinction between those situations in which Indians were treated differently because they were Indians and those which occurred because Indians were competitors to be defeated."[58]

This thesis examines the actual experience of a number of individual European companies and, *inter alia,* seeks evidence, if any, for Bagchi's repeated argument that they enjoyed a number of advantages denied to indigenous business.

[56] Bagchi, *Private Investment in India,* p. 158.
[57] *Ibid.,* p. 186.
[58] Morris, *Private Industrial Development,* p. 554.

The scope of this thesis

This thesis examines in some detail five Managing Agencies and the individual entrepreneurs who founded and ran them, necessarily selected according to the availability and usefulness of primary sources but providing a reasonably representative range of characteristics and business activities. In the course of this examination the thesis also examines the industries in which they were particularly engaged – jute, transport, tea, coal and indigo.

The agencies studied in detail are:

> Gillanders Arbuthnot & Co., a well-found "colony" of the established Scottish Gladstone family business, the earliest agency to be formed. The chapter particularly explores the jute industry, in which they were major operators, and the long-lived influence of the Gladstone dynasty.
>
> Mackinnon Mackenzie & Co., built on much more modest financial foundations, largely by a pair of determined Scottish individuals with evangelical leanings but with no particular commercial training. The firm grew to be a major force in the shipping industry, which the thesis explores. and also had substantial interests in tea. The several family members employed scarcely constituted a dynasty, and the business was taken forward into the twentieth century by a non-family member.
>
> Bird & Co. also a very modest initiative, by the Bird brothers – an English clipper ship's captain, who may have been "beached" in Calcutta, and his maritime brother. Its early success was in labour contracting for railway construction. Later the young Ernest Cable, who was not part of the family, took charge, and expanded the business to include interests in coal as well as jute. He was succeeded by his son-in-law.
>
> Williamson, Magor & Co. specialised in the management of tea estates and became one of the largest agencies in the sector, but was formed with no significant financial resource or specialist skill by another ship's captain together with a local acquaintance from the hotel trade. The chapter

includes a thorough examination of the tea industry including its early history and issues of migrant labour and land distribution. The Magor family continues to run the company today.

James Finlay & Co. was another "colony" of a long-established business with a trajectory from the Industrial Revolution to the withdrawal from Empire. They used their relative wealth aggressively, gaining the agencies for 167 tea estates by offering generous advances, and had important interests in jute. They were also heavily committed to financing indigo concerns in Bihar, and suffered from the collapse of demand following the introduction of synthetic dyestuffs. This chapter includes an examination of the indigo industry, including its impact on the agricultural community. Finlays' produced three successive dynasties who ran the company until the 1980s.

An approach of this kind is encouraged by Tomlinson, who wrote:

> It would be best for future research to concentrate more on the individual circumstances of particular firms and to try to answer questions about the institutional foundation of their enterprise and about their attempts to control or manipulate the larger producing and consuming economy of which they represented only a small part. It may be useful to look at firms as particular centres of economic power, although not always effective ones, rather than as agents of abstract economic forces.[59]

He goes on to point out that Bagchi did not take the individual firm as the basic unit of analysis, and seemed to have "virtually no interest in particular circumstances at all".

However, it is Bagchi's insistence on the privileged position of British business rather than the merits of its performance which has suggested the issues which this thesis particularly examines:

the degree of commercial skill possessed by British incomers;

the impact of imported British technical innovation, notably steam power and mechanised jute textile production;

[59] Tomlinson, *Colonial Firms*, pp. 485-6.

the possibility that British commercial interests colluded to erect barriers to entry for Indian entrepreneurs;

the importance of access (possibly preferential) to British investment capital and bank finance;

the extent of preferential support from the imperial government;

the absence of competitive Indian entrepreneurial activity before 1914.

Chapter 1

GILLANDERS ARBUTHNOT & CO

a privileged and well-funded Gladstone dynasty, with major interests in jute but a wide field of operation.

Introduction

The firms of Gillanders Arbuthnot and Finlay, Muir were distinct from the majority of the Managing Agencies. Each of them was funded by a well-established and solidly financed Scottish firm, in contrast to the modest independent ventures started up by optimistic individuals of slender means and few, if any, commercial or technical skills.

The archive material for both firms describes an apparently abundant availability of investment capital, if sometimes restricted during lean periods and always rigorously defended against extravagance.. This seems to support the claim that at least these particular British firms had an advantage over Indian concerns, particularly given the difference in attitude to risk between British and Indian financiers.

However, these advantages did not provide them with an effective competitive edge in the context of the Indian marketplace – their commercial skills, at least while they were only concerned with consignment and shipping business, were more complementary than superior to their Indian counterparts. What they brought with them was familiarity with the British market for Indian produce, shipping capacity and capital to support their creditworthiness.

Gillanders Arbuthnot became in many respects a conventional Managing Agency, with a range of interests largely parallel to those of others. However, the specialised nature of the archive material – private letters between the partners – emphasises financial issues almost to the exclusion of practical commercial activity. The correspondence reads as though it came from the files of a merchant bank, and much of the narrative is concerned with quasi-banking investment matters. The deployment of sometimes massive investment funds, for example in the forestry, indigo and mining industries, cannot have been a normal part of the Calcutta Managing Agency's day-to-day operational responsibilities, even if they included the grudging management of relatively modest credit facilities in the tea industry.

The archive correspondence also provides a rare glimpse of the personal frustrations and anxieties of the senior partners, as well as of their often racist attitudes.

The Gladstone family and the foundation of the firm

Gillanders Arbuthnot claimed to be the oldest merchant house in Calcutta, having been founded in 1819, not long before a number of others began to trade there, following the partial curtailment of the East India Company's monopolies in 1813 and the introduction of their new system of licensing ships for the East India trade. Gillanders was one of the few firms to survive the financial havoc of 1847, eventually extending the business from that of an "agency house" – buying and selling on commission, and increasingly on their own account – to that of a Managing Agency, with a tea garden agency in 1866. But they were not the first to do this, and their development was slower than that of other firms of more recent foundation.

Their unique position of seniority is of more than anecdotal interest, because it derived from solid financial backing from a prosperous and well-established Liverpool source, unlike those who arrived later with little more than personal savings to their name at the outset. [1] Liverpool also provided business

[1] The James Finlay Managing Agency was the only similar example of a firm with such a long history and with well-established financial strength in the UK – in that case the Glasgow firm of that name founded in 1750, with extensive interests in cotton manufacturing and trading. Finlays participated in a trading partnership in Bombay from 1816 to 1828, but thereafter only "corresponded" with a firm there until 1862, when a branch office was opened in the wake of the American Civil War and the ensuing crisis in the supply of raw cotton.

experience, and those sent out to Calcutta were first trained there in business skills.

Behind the Gillanders Arbuthnot name lay the dominant interests of the Gladstone family. John Gladstone and his brothers were corn merchants who came to Liverpool from Leith in the late eighteenth century (dropping a final "s" from their surname), and developed a substantial mercantile business, principally with the West Indies, initially importing tobacco and spices but joining the rush for sugar, eventually owning plantations (and slaves). They also took part in the East India trade, and following the liberalisation of 1813 they owned six ships licensed by the East India Company.

According to S. G. Checkland's *The Gladstones: A Family History*, however, they did not find the East India trade easy, and were concerned by the risks – "by the early 1820s India's markets were glutted with British goods".[2] In 1818 this negative prospect led John Gladstone to send a junior partner, George Grant, to India to assess the possibilities, but illness prevented him from doing useful work, and he was invalided back to Liverpool, to be replaced by F. M. Gillanders, who gave his name to the firm. He was a Gaelic-speaking Scot from Ross-shire, and a cousin of John Gladstone's wife. He had been trained in the Liverpool office, and first went out to Calcutta as a supercargo on one of the Gladstone ships.

It does not seem that the Gladstone brothers were initially partners in the Calcutta firm, but it is virtually certain that they financed it. Gladstone & Co (John and Robert) was the British centre of the trading operation, and in 1824 Gillanders was joined in the Calcutta office by Thomas Ogilvy, a Gladstone family friend from Scotland, and the name of the firm became Ogilvy, Gillanders & Co. David Gladstone, the youngest brother, became the first Gladstone partner in the Calcutta firm in 1826, but was not required to work in Calcutta. Subsequently, in 1833, David Gladstone retired, Ogilvy returned to England, to operate there under the style of Ogilvy, Gillanders & Co., and C. H. Arbuthnot joined the firm in Calcutta. Arbuthnot had been an East India Company naval

---

[2] S. G. Checkland, *The Gladstones: A Family History, 1764-1851*, 1971, p. 120.

captain, was also the owner of the ship *Royal William*, and had worked in Madras on Gladstone & Co. business. He remained a partner until he retired in 1855.

The firm was then re-named Gillanders, Arbuthnot & Co., the name which remained unchanged through all the subsequent changes in the partnerships, and perhaps implying a change in the perceived character of such firms, away from the purely personal identity of the partners and towards a quasi- corporate entity (although they were not in any sense incorporated). The name of Mackinnon, Mackenzie was never changed after the death of Robert Mackenzie, the senior partner, in 1853. Balmer Lawrie, as another example, never changed its name after one its founding partners, Stephen Balmer, died only a year after it was formed in 1867, and the name survives as a corporate entity to this day.

John Gladstone became a significantly powerful public figure in Liverpool, active in Tory politics both locally and nationally, becoming an MP, finishing up with a baronetcy before returning to his grandiose gothic castle in Fasque, between Aberdeen and Dundee, to see out his days in retirement. He died in 1851. He kept in close touch with another Scottish businessman with strong political connections, Kirkman Finlay, whose firm, James Finlay & Co, would some time later (the Calcutta branch was not opened until 1870, as Finlay, Muir & Co.) become an important player in the Calcutta Managing Agency world. In the meantime it was presumably no coincidence that Gladstone, Lyall were James Finlay's agents in Calcutta.

The rift between the Gladstone brothers

The history of the Gladstone family's businesses in Calcutta is complicated by the legacy of a quarrel between John Gladstone and his brother Robert, arising from a difference over the proper reaction to false rumours in Liverpool about the firm's finances, and apparently never healed. It was principally Robert's descendants who owned and managed Gillanders. But in 1840 John founded a second, competing, partnership in Calcutta, Gladstone, Hay, Wyllie & Co., perhaps, as Checkland surmises,[3] to secure the financial future of his own descendants, particularly his son Robertson and his children, but perhaps also to gain more direct control over the handling of his trading business. John Gladstone supplied most of the capital for the new firm, which in disputed circumstances displaced Gillanders from their office accommodation. Otherwise there is no record of any damage caused to the Gillanders firm, and the two businesses seem to have operated independently of each other without friction, being referred to as "our neighbours".[4]

The peculiar duality of the relationship was highlighted when Henry Neville Gladstone (eventually to become Senior Partner of the whole firm), John Gladstone's grandson, joined Gladstone, Wyllie as an assistant in the mid-1870s, a natural family orientation. However, according to his increasingly ill-tempered and much senior cousin Robert (junior), writing in 1899:

> [Henry] left them because they would not make him a partner. While his uncle Robertson Gladstone was alive, and a partner in the firm, he could make terms for HNG's advancement, but on his death James Wyllie became the chief man in the firm, and for reasons but known to himself he declined to promise HNG promotion, and <u>then</u> I was asked to take him into this office [i.e. Gillanders].[5]

Henry Gladstone joined Gillanders, Arbuthnot in Calcutta in 1876, and was made a partner in 1881.

Gladstone, Wyllie's activities in the early days were shipping and consignment trading, identical to Gillanders, Arbuthnot[6] and indeed Mackinnon, Mackenzie and all the agency houses before the beginning of the managing agency business. Early correspondence gives detailed UK market reports on a wide range of commodities:[7]

saltpetre	raw jute	hemp
linseed	rapeseed	cutch sticklac & lac dye
shellac	safflower	castor oil
cotton	munjeet	

[3] Checkland, *The Gladstones*, p. 341.
[4] In 1909 the London businesses of Ogilvy, Gillanders & Co., Gladstone, Wyllie & Co. and Gladstone & Co. were amalgamated.
[5] Robert Gladstone to William Gladstone, 15th June 1899, Glynn-Gladstone MS 2590.
[6] More interestingly, Gillanders Arbuthnot had the import agency for Bass beer in 1830, for Ruinart champagne in 1839 and for Cockburn & Campbell whisky in 1848.
[7] Copy outletter book 2 September 1853 – 23 February 1856. Gladstone & Co., Liverpool, to Gladstone, Wyllie & Co., Calcutta. Glynn/Gladstone MS. 2474.

Surprisingly the reports do not include indigo, although it is unlikely that they did not handle this staple of the East India trade.

When Samuel Steuart Gladstone, an old Etonian nephew of Robert Gladstone, was a Gillanders partner in Calcutta, in 1862, the shipping and consignment business was evidently still the dominant activity, alongside banking. In May of that year he wrote a long and gossipy memorandum describing the techniques and pitfalls. He evidently had a poor opinion of sea captains: "The bulk of our skippers are from the lower walks of life [elsewhere in the memorandum he mocks their accents], indifferently educated and miserably paid, say £12 to £16 [say £700 at current values] a month…At such a pittance it can scarcely be wondered at, however much it may be regretted, if the skipper swindles his owner…"[8] He goes on to describe the common practice of skippers arranging a hidden 4% commission on chandlers' bills for ships' supplies. Captains Arbuthnot, Bird, Scott and Williamson, all significantly successful entrepreneurs in India, were thus dismissed.

"The Gladstone Experiment"

Gladstone, Wyllie is credited by Checkland with starting what was later known as the "coolie trade", the recruitment and shipping of indentured Indian labourers to the West Indies and elsewhere, following the abolition of slavery in the colonies in 1833. But it was on 4 January 1836 that John Gladstone wrote at length to Gillanders Arbuthnot, inviting them to arrange for the shipping of labourers to his sugar plantations. He starts by writing: "I observe by a letter which he [his son] received a few days ago from Mr. Arbuthnot, that he was sending a considerable number of a certain class of Bengalees, to be employed as labourers, to the Mauritius" [9], so the activity was already established before Gladstone, Wyllie was formed in 1840. He goes on to say: "You will probably be

[8] Glynn/Gladstone MS.1765
[9] Cited in Parliamentary Papers, LII No. 180, 1837-38. MF41.413-414.

aware that we are very particularly situated with our Negro apprentices in the West Indies, and that it is a matter of doubt and uncertainty how far they may be induced to continue their services on the plantations after their apprenticeship expires in 1840".[10] He proposes that a "moderate number of Bengalees", defined later as 100, should be sent in one of his vessels to British Guiana, where he owned two sugar plantations – Vreed-en-Hoop and Vried-en-Stein – in West Demerara, which had been ceded to Britain by the Dutch at the Congress of Vienna in 1815.

It is to be remembered that John Gladstone had not himself ever travelled to India, and had no first-hand knowledge of the country or its people. (There is equally no suggestion that he had ever travelled to the Caribbean.) Gillanders Arbuthnot replied with an authoritative and encouraging summary of the possibilities, recommending the recruitment of "tribals" in Chota Nagpur, on account of their hardiness. This region was also to be the favoured source of tea garden labour for Assam some twenty years later.

The practice of indenture outraged the abolitionists, who saw in it the substitution of one form of slavery by another, thinly disguised by 5- or 7-year indentures. They published a 36 page pamphlet detailing abuses, both in recruitment methods, alleging kidnapping, and in brutal working conditions for Indian labour, following John Scoble's tour of the plantations in Mauritius and British Guiana, including John Gladstone's. Their aim was to dissuade Lord John Russell and his cabinet from lifting the current ban on exporting Indian labourers to Mauritius.

> Although Russell met with a delegation of the abolitionists, he confirmed that the government would proceed with its intention of reopening the exportation of Indian laborers. With a few exceptions, the exportation of indentured Indian labor to various British colonies lasted until January 1, 1920, when the last indentured Indians in Fiji were released from their contracts.[11]

It seems that John Gladstone's scheme was a pioneering venture as far as the Caribbean was concerned, and is today referred to in Guyana as "The Gladstone Experiment", with John Gladstone himself described as "the initiator of East

[10] *Ibid.* It should be noted that the description "negro apprentice" is presumably a euphemism for a freed slave. The Gladstone family's wealth was, in part at least, originally founded on slave ownership.
[11] P. Allen Reichert, introductory comment on Internet reproduction of pamphlet, University of California, Berkeley, 1996.

Indian immigration".[12] According to this report, the first emigrants arrived in Guyana in 1838.

The financial crisis of 1847

In 1847, a disastrous financial crisis spread from England to India. The financial position in Calcutta had already been weakened by the decline in indigo prices since 1840, leading to increased borrowing by producers, and a vicious spiral of increased production to service the debt, a glutted market, further falls in prices and further borrowing.

> From the official reports issued by the [Union Bank] directors it appeared that the bank was gradually divesting itself of the indigo factories it had assumed on mortgage and reducing its loans to agency houses for indigo cultivation...But in fact the bank continued to increase its support for indigo cultivation...Almost every rupee loaned by the bank found its way to an indigo plantation.[13]

By the autumn of 1846 Britain was in a full-scale commercial crisis. The 1845 rush for fixed, long-term investment in railways had mopped up working capital, and when the Irish potato crop failed in 1846 large wheat imports were needed. Then the price of American cotton soared following a crop deficiency. Money was tight, interest rates were high, and the Bank of England's reserves were worryingly low. Despite this, however, British speculators bought imported grain forward at high prices, but in July 1847 there was a bumper domestic wheat crop, prices fell and in August nineteen corn importers went bankrupt. Their links to other mercantile houses meant that bills were widely dishonoured and disaster spread.

In September two of the largest East India houses in London, Cockerell & Co. and Lyall Brothers, were among the thirty seven firms that went out of business. Both were closely connected with Calcutta houses deeply in debt to the Union Bank. By November the failures spread to Calcutta, where Kling writes that

---

[12] Tota C. Mangar, article in *Stabroek News*, 8 May 2003.
[13] Blair B. Kling, *Partner in Empire – Dwarkanath Tagore and The Age of Enterprise in Eastern India*, Berkeley, 1976, p. 215.

sixteen agency houses suspended operation. According to Mohendra Nauth Mookerjee, who may have been an eye-witness, all the agency houses in Calcutta failed except Gillanders Arbuthnot, Gladstone Wyllie, Jardine Skinner, and Colvin Cowie. The *Delhi Gazette* then published a false report that Gillanders had suspended payments.

> Innumerable Drafts, Cheques and Hoondies were drawn against us and demands for money knew no bounds and crowds of people collected at the gate to receive money. Mr. Mackinlay opened three cash offices in three different parts of the office and paid one and all in full in three consecutive days from 10 a.m. to 9 p.m. This satisfied the public minds and restored full confidence amongst the people of Calcutta and on the fourth day nearly all the monies or more paid by us were re-deposited.[14]

The Union Bank was not one of the survivors: they finally went to the wall in the Spring of 1848, leaving a trail of financial destruction and bitter recrimination. The commercial community in Calcutta was wholly demoralised.

The Gladstone dynasty

Gillanders Arbuthnot was very conscious of its dynastic heritage. On 10 February 1909 the foundation stone of their new office building in Calcutta was laid. Under it, together with some memorabilia, was this record:

> The Mercantile House of Gillanders, Arbuthnot & Co. was founded in the year 1819 by F. M. Gillanders, who was sent out for this purpose by John Gladstone, the Head of the Liverpool firm of John and Robert Gladstone...
>
> The present partners of the firm are
>
> Henry Neville Gladstone, son of the Rt. Hon. William Ewart Gladstone and grandson of Sir John Gladstone, the founder of the House.
>
> John Francis Ogilvy, the son of Thomas Ogilvy, who was associated as a partner with F. M. Gillanders from 1824 to 1833.

[14] Mohendra Nauth Mookerjee, *Diary*, printed document dated 1 April 1900, Glynn/Gladstone MS. 2744, p.2. Mookerjee was Head Babu at Gillanders, and evidently a loyal and devoted employee as well as an intelligent commentator. The Head Babu held a key position in a European firm, and would be a trusted confidant and occasional adviser to the Partners. Mackinlay was then Senior Partner in Calcutta, a Scottish lawyer who went to Calcutta in 1843 to work with Murray Gladstone and George Gillanders, and was made a partner in 1846 after the latter's death.

William Buckley Gladstone, son of Murray Gladstone, who joined the Firm in Calcutta in 1842.

Arthur Steuart Gladstone and John Steuart Gladstone, nephews of Samuel Steuart Gladstone and sons of Robert Gladstone.[15]

Notwithstanding the occasional appearance of outsiders like Daniel Mackinlay and Charles Moore, dominant representation by Robert Gladstone's branch of the family in Gillanders Arbuthnot was maintained and extended after F. M. Gillanders retired in 1840, and his son George joined the partnership, only to die of cholera in 1846. In the same year Robert Gladstone's son, Adam, joined, and in 1847 so did his younger son Murray. In due course Murray's son William and his nephews Robert (junior) and Samuel Steuart were to become partners, as were Robert (junior's) sons Arthur and John. Thomas Ogilvy's son John had joined the partnership in 1859 and was still active (in London) in 1910.

This dynastic exclusiveness was by no means uncommon in eighteenth and nineteenth century business, when furthering the financial interests of family members went hand-in-hand with the reassurance that family members could be trusted in faraway locations. This was not a peculiarly British practice, and in India the Marwari community were very deliberate in choosing family members for positions of responsibility. In the case of Gillanders Arbuthnot, Albert Gladstone eventually became senior London partner in 1945, and Thomas Gladstone followed him. A young James Gladstone was still carrying on the tradition as a branch manager (in Chittagong) in the 1950s before abandoning the sub-continent, and at a more senior level his cousin Stephen Gladstone was a Director (of what by then was a limited company) when, in 1988, he sold his large shareholding to G. D. Kothari, who had been involved with the firm since 1967. Stephen remained a non-resident director for at least a decade, but he was the last Gladstone to be interested in the firm.

They displayed an easy-going but strong shared family culture which perhaps appeared arrogant to outsiders. Certainly Maria Misra[16] saw in its later

[15] Prefatory citation in J. S. Gladstone, *History of Gillanders, Arbuthnot & Co and Ogilvy, Gillanders & Co.* 1910, Glynn/Gladstone MS. 2749.

[16] Maria Misra, *Business, Race, and Politics in British India, c. 1850-1950,* Oxford, 1999, e.g., p. 49.

manifestation a hidebound nineteenth century attitude to twentieth century business demands and a cult of the amateur which, by extension, she adduced as reasons for the decline and extinction of the Managing Agencies in the post-colonial period. Nevertheless, the Gladstone family gained enough distinction to suggest that inherited talent and ability were at least as important to success as nepotism and privilege. As well as the justly famous and distinguished Prime Minister, two of his three sons were ennobled: one, Herbert, to a Viscountcy for his service in Government – he was Home Secretary and then the first Governor General of South Africa – and another, Henry, to a Barony for his business achievements at Gillanders. (His third son took Holy Orders.) One of Robert Gladstone's grandsons, Samuel Steuart, was appointed Governor of the Bank of England after forty years as a Gillanders partner.

By the mid-1850s and 60s, when the major development of the Managing Agency business took place, the Gillanders Arbuthnot firm was part of a mature partnership which had already been in existence for thirty or forty years, and its Calcutta management was in the hands of partners who were third generation Gladstones (or their connections), well-educated, sophisticated, reasonably wealthy, upper-middle-class "gentlemen", destined to marry into the minor aristocracy. They were patrician grandees, and a distinct contrast to the more plebeian Birds and Mackinnons, and to their many competitors of similarly undistinguished origins. They were also better trained in business skills, had access to accumulated financial resources in Britain and were well-connected in all the right circles, starting with a new Viceroy as a putative banking client in 1880, when Samuel Steuart Gladstone wrote to his cousin Henry: "I suppose there will be a new Viceroy for India [Lord Ripon] who will I hope keep his account with GA&Co."[17], and in 1899 "Billy" (W. B.) Gladstone wrote to Henry: "Curzon [another new Viceroy] to us privately was extremely civil and nice, and there is no doubt he wishes to secure the good opinion of the Calcutta mercantile community. He encourages us to talk to him, which is the exact opposite of what his predecessor did."[18]

[17] Samuel Steuart Gladstone to Henry Neville Gladstone, 19 April 1880, Glynn/Gladstone MS. 893.
[18] W. B. Gladstone to Henry Neville Gladstone, 2 May 1899, Glynn/Gladstone MS.2590.

Investments in forestry became a major company interest, although the archive contains only glancing references.[19] Burmese forests were particularly important, and this consideration was doubtless the underlying reason for Samuel Steuart's comments in a letter to his cousin Henry Gladstone (one of the Prime Minister's sons) in June1879, criticising the Zulu War, which was then still in progress after the early military reverses at Isandhlwana and Rorke's Drift in January. He suggested that it was achieving no more than "the acquisition of mealie fields" and that it would be "far better [to] adventure our blood and treasure in the annexation of Upper Burmah, and the establishment of free trade beyond the limits of Mandalay and at the same time feel the satisfaction of bearing the torch of civilisation throughout the dominions of the misguided [?Therban]."[20]

A very rare reference in 1880 to W.E. Gladstone as Prime Minister records that he was using his influence in Government to promote what became the Third Burmese War in 1885.[21] Although it might be absurd to suggest that Samuel Steuart Gladstone's views influenced his uncle's decision to go to war, it is interesting that historians have acknowledged only political and strategic motives and have ignored the commercial benefits.

In any case, it seems that the Prime Minister himself was not above seizing good personal investment opportunities generated by his Government's policies: he was a major investor in the Ottoman loans negotiated in Egypt, and "by 1882 these bonds accounted for more than a third of his entire portfolio."[22] They were a very lucrative investment for him, and it has to be acknowledged that he and the Gillanders firm, along with many other firms, was a beneficiary of imperial aggression.

Dynastic solidarity did not, however, prevent significant family disagreements. For several years the London partners, and particularly Robert Gladstone, adamantly refused to countenance having Henry Gladstone or Charles Moore leave Calcutta and join the London partnership, although Samuel Steuart Gladstone and John Ogilvy seemed more sympathetic. The issue reached the

[19] The timber department is shown as the largest single contributor to Gillanders' gross profit in 1924-25 in Misra, *Business, Race and Politics*, Table 8, p. 225.
[20] Samuel Steuart Gladstone to Henry Neville Gladstone, 27 June 1879, Glynn/Gladstone MS. 893.
[21] Glynn/Gladstone MS. 893.
[22] Niall Ferguson, *Empire: How Britain Made the Modern World*, London, 2005, p. 286.

point where Henry Gladstone submitted his formal notice of retirement from the Calcutta partnership, and a cabal of the younger partners combined to put pressure on the old men – "Billy" and Arthur Gladstone, and originally Charles Moore, who left the partnership in any case in 1898, equally disenchanted with living in Calcutta. He had written to Henry as long ago as 1886 to say: "Like you I hate Calcutta and always have" and four months later: "I feel appalled at the idea of two more years in that loathsome Calcutta which I hate."[23] Now, in 1899, "Billy" wrote to Arthur: "If HNG decides to retire I should be disposed to beg of him to take me with him, for however much capital your father [Robert] and S[teuart].G. might leave in the business I consider it would be certain to run down hill…[we must] take a definite stand to stop the present policy of drift."[24]

The archive contains so many letters concerning the argument over such a long period that it seems certain that the partners' energies were substantially diverted from business issues, which implies a lack of judgement by the London partners as well as a strangely antagonistic attitude towards their Calcutta colleagues – a manifestation which was also to be found in other Managing Agencies.

Financiers to the indigo industry

The ability to deploy substantial financial resources shaped the nature of the business to a considerable extent. For example, in 1844 they put a toe into the precarious indigo industry by lending to Barlow Bros. & Co., who were in the indigo seed business. Thereafter they lent to the Block of Rangepore indigo concern, with the object of gaining an insight into the indigo trade, and J. S. Gladstone's *History* refers to "the Bettiah Raj sterling loan for £475,000"[25], which was probably made in the 1880s, when the equivalent amount at today's values

[23] Charles Moore to Henry Neville Gladstone, 6 June and 7 October 1886, Glynn/Gladstone MS. 2589.
[24] W. B. Gladstone to Arthur Steuart Gladstone, 24 May 1899, Glynn/Gladstone MS. 2590.
[25] Gladstone, *History*, pp. 79-80 and p. 147.

would be £2.5 million. The loan will have been a major extension of Gillanders' indigo interests. Bettiah was a small princely state in NW Bihar, and the maharajah was the leading *zamindar* in the Champaran district, owning 1630 villages (covering half the district area), the majority leased to indigo planters. Bettiah had a reputation for "particularly oppressive management". and in 1868 had been the scene of significant *raiyati* agitation, albeit short-lived. [26]

Gillanders eventually became more widely involved as agents for indigo plantations and factories. Some forty-three indigo factories are listed for which they were at some time agents, making large hypothecation advances and handling sales and shipping in Calcutta. But there were frequent frauds and failures, which forced them reluctantly into the position of landlords.

In 1892 Samuel Steuart Gladstone, then Senior Partner in London, wrote to Henry Gladstone in Calcutta, illustrating continuing anxieties:

> There is no doubt about the bad indigo crop – prices must improve. Jardine's are said to have refused Rs. 70 advance for the J&RW mark. Some of our factories I fear will be up to the hilt at the close of the season and we shall have to consider the advisability of stopping supplies. We did not see sufficient margin in Pathebarry to meet A. Hill's wishes. Seerada also requires advances in excess of the security, so that is no go.[27]

In 1898 Henry Gladstone, who was at the time in London, wrote to "Billy" Gladstone in Calcutta, continuing the negative assessment, but still without reference to the looming nemesis of synthetic dyestuffs :

> Indigo news is as unsatisfactory as it could possibly be and so far from adding to our interest by new purchases my great anxiety is to reduce our advances in this line. My opinion is that we have done no good for the last 20 years where the account barely balances with interest either with tea or indigo and as we can employ all available capital on this side in remunerative financial business I would far rather see this department closed than we should continue to lose money.[28]

It is plain that the problem was defined as one of capital finance rather than operational competency.

[26] Jacques Pouchepadass, *Champaran and Gandhi: Planters, Peasants and Gandhian Politics,* New Delhi, 1999, p. 204.
[27] Samuel Steuart Gladstone to Henry Neville Gladstone, 27 September 1892, *ibid.*
[28] Henry Neville Gladstone to W. B. Gladstone, 14 October 1898, Glynn/Gladstone MS. 2590.

They remained active in indigo until the German invention and marketing of a synthetic indigo dyestuff in 1897 saw the virtual extinction of trade in the natural product over the next twenty years.[29]

Investment banking in other areas

Although J. S. Gladstone credits Henry Gladstone with recognising "that the old agency and consignment business could no longer be relied upon as Gillanders, Arbuthnot & Co.'s mainstay" and changing the firm's policy towards "devoting more attention to the development of local industries" – notably jute mills – for the most part he and the firm seem to behave more like investment bankers than entrepreneurs, and the letters in the archive seldom, except in the case of jute, refer to operational matters, only to issues of capital finance.

One of Henry Gladstone's most successful achievements had been to devise a scheme to protect the firm from the repeated devaluations of the Indian rupee by transferring rupee balances into sterling. Writing to Robert Gladstone, arguing

[29] See Gladstone, *History* , pp. 92-3. For a fuller account of the indigo industry see Chapter 5.

for retaining Henry in the partnership, "Billy" Gladstone said: "HNG was responsible for the "Sterling Securities" a/c which must have saved the firm lakhs of rupees in losses in Exchange, which…fell from 1s.9d. to 1s. .05d. subsequently." However, the letter goes on to praise Henry for: "Jute mills, disappointing to shareholders but extremely lucrative to the firm; Sumatra Oil Co.; Erebus and other loans and financial connections; tea companies etc; for which HNG seems to have been mainly responsible and but for which, had we stuck in our old grooves, we should now be in a sorry plight."[30] This seems to support J.S. Gladstone's contention, and is perhaps its source.

Perhaps the preoccupation with finance was a manifestation of lofty superiority, with the mundane business of operations – perilously close to being "trade" rather than commerce – not worthy of discourse between partners. Perhaps it was the affectation of the leisured amateur, who would not wish to be seen to be exerting any effort. Even the traditional visitation of tea gardens by Calcutta partners in the cold weather – occasions for respectful hospitality and tiger shooting – are not mentioned, if they ever took place. These omissions are disappointing, for while the archive presents an unusually candid and often indiscreet picture of the partners' opinions and relations with each other, it does not illuminate the development of the business.

Banking business on a significant scale was evidently important.
From 1842, when George Gillanders was appointed to the Board, a Gillanders partner was always a director of the Bank of Bengal,. Occasionally the Gillanders partner served as President. A. K. Bagchi states that the bank was founded in 1806, was the biggest joint stock bank in Bengal, enjoyed state patronage and was managed exclusively by Europeans. "Its Board of Directors generally included partners of the biggest managing agency houses in Calcutta."[31] It may well be that Gillanders or the London partnership were shareholders. Certainly it is consistent with this financial preoccupation that Samuel Steuart Gladstone was, as we have seen, appointed Governor of the Bank of England.

In referring to the absence of coal mining from the firm's range of interests, J. S. Gladstone says: "It was probably owing to the intimate relations with the Bengal

[30] W. B. Gladstone to Robert Gladstone, 4 June 1899, *ibid.*
[31] A. K. Bagchi, *Private Investment in India 1900-1939*, Cambridge, 1972., p. 264.

Coal Co. and its affiliated companies that the firm did not avail of the opportunities which occurred of taking a more direct interest in coal mining…" Here again, it must be presumed that Gillanders were major investors, in what was the largest coal mining concern, its origins dating back to the time of Dwarkanath Tagore.

Gillanders were, however, interested in mining other minerals, notably copper, but although Charles Moore, a Calcutta partner, wrote to Henry Gladstone: "…Sir F. Edwards (a shareholder alas!) [was] asking my sister when his copper profits were coming in. Ugh."[32], the venture proved very successful indeed. The Indian Copper Company was the sole producer in India, a monopoly position which was ultimately to be penalised by nationalisation in 1971-2. By then Indian Copper was bigger than the whole of the rest of the Gillanders Group put together. There were also unsuccessful prospecting ventures in diamonds, tin and gold.

In 1862 Gillanders Arbuthnot were appointed Financial Agents for the Indian Branch Railway, again implying a quasi-banking rôle in the importation of rolling stock. They were appointed agents for the Darjeeling Steam Tramway (which became the Darjeeling Himalayan Railway) in 1880-81; floated the Southern Punjab Railway in London in 1895; the Hardwar Dehra Railway in Calcutta in 1897; and "participated in the financing" of the Delhi-Saharanpur Railway in 1905. All these were, of course, substantial capital projects, and the firm's strength in financial matters must have helped to secure these appointments. They were also involved in the Rangoon Tramway company. Perhaps also deriving from the firm's financial strength and expertise was their long connection with the insurance business, starting in 1858 and eventually comprising 14 agencies.

Less unusually, Gillanders Arbuthnot followed the conventional Managing Agency course of promoting and managing tea estates. In 1866, relatively late in the day but wisely delaying until the speculative bubble of "tea mania" had burst the previous year, they took up the agencies for Golaghat and Teelwaree, following them with the larger estate of Singlo in 1873. When the Indian Tea Association was formed in 1881, Gillanders was one of nine firms represented on

[32] Charles Moore to Henry Neville Gladstone, undated, Glynn/Gladstone MS. 2590.

the first Committee – by J. H. Edwards. J. S. Gladstone's *History* lists 25 tea gardens for which the firm "have acted as agents" in 1909,[33] but this is not reflected in the Investor's India Yearbook for 1911, which shows only one rupee company under Gillanders management, or in the 1914 listing of sterling tea companies, where none is shown.[34] In any case it seems that they were not continuously successful.

In 1885, undergoing a barrage of criticism from London, Charles Moore, Senior Partner in Calcutta, wrote to Henry Gladstone:

> He [Robert Gladstone] talks of increase in liabilities in tea and slack management in lending rupees as if we kept adding to our agencies. We have added nothing – and the whole point lies in our having been unable to get rid of anything, either by sale or by transfer to other agents – <u>absolutely</u> unable, and the fact before us was, are we to continue outlay till we can get rid of them – or face the only alternative, sacrifice debt, security, everything, and allow primitive jungle to replace the failure of civilised cultivation...He keeps on saying – "Surely <u>now</u>, you must see what an undesirable security is tea property, and so on, as if I had been perpetually maintaining the opposite when I have never said a syllable of the kind, but have bewailed and bewailed the impossibility of sale.[35]

The criticism continued, and in 1887 Robert Gladstone was threatening to debit the Calcutta partners' personal accounts with Sale Room losses, accusing them, and particularly Charles Moore, of idleness and inattention. This was partly because Moore, like Henry Gladstone an old Etonian, led a famously hectic social life in Calcutta, much involved with horse racing, owning racehorses and getting into debt over them, and was on the Committee of the Golightly and Turf Clubs In reporting to Henry Gladstone on the latter, he demonstrated some of his less likeable attitudes:

> Awful ructions at the Turf Club now happily tided over. Some of the Armenian brigade, hating Bill Beresford as he always beats them racing, tried to make him out a puller of a horse, in which the stewards had a long six days enquiry palpable innocence convincingly proved. This put Armenia in the wrong box and the black blood came out – but it was not as at first appeared "a huge black ox on a plain" only "a small black fly on the pane" and I hope all henceforth will be peace.[36]

Such unapologetic racial discrimination was, of course, quite normal at the time, and it is worth noting that, whatever the private prejudices against them,

---

[33] Gladstone, *History*, p. 94.
[34] Cited by Bagchi, *Private Investment*, pp. 177, 179.
[35] Charles Moore to Henry Neville Gladstone, 20 August 1885, Glynn/Gladstone MS. 2589.
[36] *Ibid*.

Armenians were not excluded from the exclusive Turf Club or the racing fraternity. [37]

There is no evidence that Charles Moore's racial prejudices extended to Indians, but in earlier decades there was certainly a harmonious and respectful relationship at Gillanders with *banians* and Indian staff, fostered by long association in the bazaar. Mohendra Nauth Mookerjee writes of the time when he used the formal "I am your servant" phrase to Daniel Mackinlay, the Senior Partner, and was corrected: "Babu, you are not my servant – you are an Assistant at Gillanders, Arbuthnot & Co., as I am."[38] When a European Assistant called a (deaf) writer "stupid", he was roundly reprimanded, and told that the babus were "the sons of gentlemen, not coolies".[39]

Mookerjee also notes the wealth of some of the *banians* – "they amassed large fortunes". Kally Dass Seal, who resigned as "Cash Keeper" in 1877, "is the richest man in Bir Bazaar, half of which belongs to him, yielding a monthly income of 5/6,000 Rs.[say £25,000 at current values]." [40] Ram Lal Angurwallah, "our old piece goods broker, died leaving estate worth about 6 lakhs [nearly £3 million at current values]...Ram Lal was not only one of the most skilled of Marwari brokers but he was also their chief."[41]

When Gillanders, Arbuthnot had to move out of their Calcutta premises to make way for Gladstone, Wyllie in 1840, the new office was partly financed by a loan from a *banian* who owned the property, although presumably the partners could have raised a loan in Liverpool.

---

[37] The Armenians had been a small but influential presence in Bengal since before the British arrived, and when they did, in 1698, they appointed an Armenian merchant, Khoja Israel Sarhad, as their emissary to the Mughal Court of Azem-Ush-Shan, where he successfully negotiated the seminal "Grand Firman" conferring governing rights in three villages on the British. By the later nineteenth century there were a number of very wealthy Armenians in Calcutta, and between 1855 and 1893 there were more than twenty-five Armenian advocates at the Calcutta High Court; Gregory Charles Paul became Advocate General of Bengal and was knighted. It seems that in Calcutta Armenians were unofficially classified as "grey", alongside Jews, Greeks and Portuguese, and tended to live between the "black" and "white" towns.
[38] Mookerjee, *Diary*, p. 4.
[39] *Ibid.*
[40] Mookerjee, *Diary*, p. 4.
[41] *Ibid.*, p. 37.

We have already noted Henry Gladstone's disillusionment with the tea business, and in January 1899 he followed this gloomy assessment by writing: "...all the profit the firm is making is being earned here [i.e. London]...I am feeling very uneasy as to our Indian business for it seems to me that apart from Exchange...we have hardly earned interest on capital."

An anonymous and undated memorandum, probably written in 1919, notes that: "the fortunes of the House were lowest about the middle of the Seventies, and the native staff was considerably reduced. The total European staff, did not exceed 6 or 8 including partners."[42] Staff reductions, and anxieties about the security of advances to tea and indigo estates, were the subject of a letter from Samuel Steuart Gladstone to Henry on 2 February 1885.[43]

Robert Gladstone was not impressed, nevertheless, with Henry's activities in company promotion:

> We all admit [HNG's] cleverness and ability and we are no doubt much indebted to him for the profits which we have made in London by speculation in shares – or "company promotions" if you prefer that euphemism...this kind of business hardly falls within the limits of our Articles...operations on the Stock Exchange do not always end in profit, any more than gambling at Monte Carlo does.[44]

1899 seems to have been a pessimistic year for the London partnership, whose preoccupations seem to have been investments remote from Calcutta. It had new oil interests in Baku (in what is now Azerbaijan – they would presumably have been expropriated after 1917), as well as Sumatra. But in a letter to John Ogilvy Robert Gladstone said:

> As for the business, don't fret about it. It is all right; but we should begin taking in sail as soon as possible. We have been extremely fortunate with our Russian companies, but such business is not all "beer and skittles" and we should never forget the warning put before us by the failure of even the great house of Baring by locking up more capital than they could afford.[45]

John Ogilvy also received gloomy financial news from Samuel Steuart Gladstone: "You will have heard that the [flotation of the] Anglo-Galician Oil Co. has been

[42] Mohendra Nauth Mookerjee refers at some length to the considerate way in which this staff reduction was managed.
[43] Samuel Steuart Gladstone to Henry Neville Gladstone, 2 February 1885, Glynn/Gladstone MS. 893.
[44] Robert Gladstone to W.B. Gladstone, 15 June 1899, Glynn/Gladstone MS. 2590.
[45] Robert Gladstone to John Ogilvy, 12 May 1899, *ibid.*

badly received – only about 5% applied for – it is fortunate that we passed on the £20,000 that we took to oblige Charles Arbuthnot."[46]

The management of jute mills

According to J. S. Gladstone, Gillanders Arbuthnot's first entry into jute mill management was the Balliaghata mill in 1877, writing that the agency ceased in 1881. Wallace gives a more informed account of this discouraging start:

> A short-lived experiment started in 1875 was the Bengal Pressing and Manufacturing Co. – now the Balliaghatta. The company took over the old Brunton Pressing Co.'s property at Sealdah, which was the second of the hydraulic jute presses, the Naysmiths being the first, but the style of the Brunton press did not prove a success. It was intended to combine jute baling and spinning but the idea was abandoned and the buildings were re-arranged to accommodate machinery for 130 looms by a new company under the present name. It never did any good and was ultimately taken over by the Barnagore Jute Company as their branch mill.[47]

The Barnagore agents were the pioneering George Henderson & Co., who had originally persuaded the cash-rich Borneo Company, for whom they were agents, to invest in a jute mill in 1859 and to introduce the first power looms. The company was floated as a limited liability company in 1872, as the Barnagore Jute Manufacturing Company.

J. S. Gladstone credits Henry Gladstone, who joined the partnership in 1881, with the promotion of the Hooghly Jute Mills Co. in 1883, when the Upper Mill was erected. He says the Lower Mill was built in 1893 but Wallace gives 1897 as the date. Wallace also tables Gondolpara as a Gillanders company, erected in 1895: this is what the *History* refers to as "a French mill on French territory at Chandernagor", intended to supply the French market on preferential tariff terms, but the French Government refused to recognise the product of the mill as of French origin, so no advantage was gained.

Gillanders' Calcutta mills were not large – the two Hooghly mills had 455 and 650 looms respectively, and Gondolpara had only 330. Compared to Birds, for example, whose seven mills totalled 3,897 looms in 1909, they were relatively

[46] Samuel Steuart Gladstone to John Francis Ogilvy, 11 May 1899, *ibid.*
[47] D. R. Wallace, *The Romance of Jute: A Short History of the Calcutta Jute Mills Industry, 1885-1909,* Calcutta, 1909, p. 33.

minor players.[48] However, jute was sufficiently important to the firm to be the subject of a number of references in partners' letters, almost the only operational activity to rate such attention.

The timing of Gillanders' entry into the jute mill business was not happy. After the opening of the first four mills in the 1850s and 60s, with varying success, there was a rush to build: fourteen new mills were erected in the four years from 1873 to 1877, with over 11,000 looms between them. The effect of this rapid expansion was massive over-production, and some informal arrangements were made between neighbouring mills to reduce production by working a shorter single-shift 10 hour day instead of a double shift 13 to 14 hour day.[49] In 1884 such arrangements were formalised within the Indian Jute Manufacturers' Association, a classic cartel, which continued to try to control cyclical imbalances between supply and demand well into the twentieth century.[50]

It not surprising that there were difficulties very soon after the Upper Hooghly Mill was opened in 1883. In June 1884 Samuel Steuart Gladstone wrote to Henry:

> Your views about the Mill, which had to choose one of the two evils: either of working to a loss or standing idle to a loss, and supposing the loss to be equal the choice of working to a loss was I think a wise choice for it keeps the staff and establishment together ready to take advantage of any improvement in the demand for gunnies.[51]

In his *Diary*, Mookerjee records the fall of a clerk in the office who

> was a calculating prodigy – made a lakh of Rs. hitherto unknown in the line of Keranidom (writership) by fees etc., but more by private speculations. He conceived the idea of at once becoming a millionaire and bought all the Jute Mill Shares as he could, but in 1855 the stock of jute being overwhelming in Dundee, all shares came down and he was bankrupt.[52]

It is unlikely that Henry Gladstone or Charles Moore will have felt at home in the isolated world of the jute-wallahs up the Hooghly. Monica Clough, a shrewd 20th century observer, wrote: "St Andrew's Kirk...was still well attended by Scots Presbyterians, who ran country dancing evenings, supported Scots orphanages and held Caledonian Society Balls of great splendour on St Andrew's

---

[48] See Wallace, *Romance of Jute*, pp. 56-57.
[49] *Ibid.*, p. 65.
[50] Ironically, Gillanders was one of the very few firms to bypass the IJMA restrictions in the 1920s.
[51] Samuel Steuart Gladstone to Henry Neville Gladstone, 6 June 1884, Glynn/Gladstone MS. 893.
[52] Mookerjee, *Diary*, p. 25.

Night...This was great fun because of the reels danced with skill and enthusiasm, but was considered by the real snobs as a bit down-market because of the prevalence of jute-wallahs and walli...By definition jute-wallahs were narrower in their interests than any other of the British community, as they never left their claustrophobic compounds up the river, except to visit other compounds and their Scots inhabitants."[53] If this was true in the mid-20th century the jute-wallahs will have been even more sharply differentiated in the late 19th century, when many mills still had European artisans, almost exclusively Scottish imports from Dundee, as well as Scottish managers not many rungs above them on the social ladder.

Gordon Stewart points out the instructive contrast between the status of jute-wallahs and that of tea-planters. He cites a state banquet with 103 guests held in 1938 which included tea-planters, ICS men and army and police officers, but no jute mill owners.

> The tea planters had an advantage because their money was made on country estates in the hills round Darjeeling and Assam, They could be viewed in more gentlemanly fashion than the men who made money from factories with power-houses and smokestacks in the crowded urban setting of Calcutta...The jute-wallahs could only be sure of invitations when the governor's guest list swelled to above 1,000 or so. There was an odour of roughness to the world of jute that made upward mobility problematic in the ferociously graded expatriate and imperial hierarchies.[54]

Henry Gladstone and Charles Moore will doubtless have been towards the top of the Governor's guest list, even if they were only box-wallahs.

There is an instructive contrast in the attitudes of David Yule, the nephew of Andrew Yule, who in 1863 with his brother George founded the Calcutta firm which bears his name and which became the largest of all the managing agencies. The Yules, like the Gladstones, were originally from Scotland, but had moved to Manchester. David Yule was born in Edinburgh and was educated at the Royal High School. He came out to Calcutta at the age of seventeen in 1875, and took over as Senior Partner in 1891, buying out his uncle George's partnership. One of the firm's interests was a cotton mill on the Hooghly, and David Yule lived in a house in the mill compound from the time he arrived until 1900, when he

[53] Cited in Stephanie Jones, *Merchants of the Raj*, Basingstoke, 1992, p. 217-8.
[54] Gordon T. Stewart, *Jute and Empire: The Calcutta Jute-wallahs and the Landscapes of Empire*, Manchester, 1998, pp. 222-23

moved to Calcutta with his new wife. He took no home leave for the first 21 years – a marked contrast to those who "hated Calcutta". He then bought out his late uncle Andrew's partnership, becoming the sole owner of the business in Calcutta and in London.

Under his leadership the business grew rapidly, and by 1902 it managed four jute mills, one inland navigation company, one cotton mill, fifteen tea companies, four coal companies, two flour mills, one oil mill, a small railway company, a jute press house and a zamindari company. It went on growing, and although David Yule eschewed public life, he could not escape identification entirely. When George V toured India in 1911-12, after his accession, he asked to meet the leading businessman in Calcutta, and David Yule was named by the Lieutenant Governor, but with the comment that he had never met him. When the meeting took place the king asked to visit a jute mill, so he was invited to the Belvedere Mill, one of those managed by Yules. The royal party arrived by yacht, and when David Yule was accompanying the king along the ramp to the landing stage, he noticed another man following close behind. It is said that he asked the king if that was perhaps his private detective, to be told that it was the Viceroy, to whom the king then introduced him. David Yule was accordingly invited to the Government House banquet and ball, where the king unexpectedly conferred a knighthood on him.[55]

To the Gladstones it would have been inconceivable that they should not be personally known to the Viceroy, as we have seen.

Because he had no male heir, in 1919 David Yule arranged for the business to be purchased by the investment bankers J.P. Morgan, a solution which might well have suited the Gillanders partners, given their predilections. David Yule died in 1928, leaving a personal fortune of £20 million – more than £500 million at current values.

[55] This anecdote appears in the anonymous company history, *Andrew Yule and Co Ltd 1863-1963*, Edinburgh, 1963, and is repeated in Sujoy Gupta, *Yule Musings*, Calcutta, 1997.

Indian participation in the jute industry

Although hand-produced jute textile manufacture already existed in Bengal, it was the introduction by the British of power spinning which laid the foundations for the modern industry. This straightforward technology transfer from Dundee, by what Wallace called "a singular course of accidents", was eventually to rob its Scottish originators of much of their worldwide market, not having the economic power or political influence to protect themselves from Indian (albeit British-owned) competition as the Lancashire cotton industry had done.

Dundee spinners had experience of spinning flax and hemp, relatively coarse fibres with a longer staple and more flexibility than jute. Unsuccessful attempts at machine-spinning jute had been made since 1790, but in 1838 fresh trials on a parcel of 40 tons of raw jute imported by a ship's captain showed that soaking the fibre in whale oil (readily available in Dundee) softened it enough to make machine spinning possible. With the outbreak of the Crimean War, which cut off the supply of hemp from Russia, the Dundee jute industry flourished even more rapidly.

Wallace's "accident" was the attempt by George Acland, who had arrived in Calcutta from Ceylon in 1853, to develop Bengal-grown rhea as a textile fibre. When he took samples of rhea to show to spinning machinery manufacturers in Dundee in 1854, he was advised to forget the possibility of turning it into a competitive textile. Instead the head of the firm, John Kerr of the Douglas Foundry, advised him to buy the components of a jute spinning factory and erect it in Bengal near the source of supply. This he did, then went back to Dundee and recruited a few mill mechanics and overseers, and the first machine-spun jute yarns were produced in 1855. It was not until 1859 that power weaving looms started to replace hand looms.

A.K. Bagchi, in a familiar complaint, wrote: "What seems so mysterious, in view of the relative simplicity of processes involved in jute manufacture and the recognised monopoly India had in raw jute production, is the almost complete absence of Indian enterprise on the manufacturing side." He suggests that the main reason was that the export trade of Bengal had almost entirely passed out of Indian hands, since there were no Bengali-owned ships. He goes on to adduce the European domination of inland transport, of the port, and of the trading chain of raw jute from the peasant through to the ship, linked by a network of ties – "a common interest, a common language, and above all, a common social distance from the Indians among whom they lived". Citing the occasional restrictions on non-European entry to jute trade associations, he suggests that "perhaps the Indian merchants knew better than to try to break into this nexus".[56]

In fact there was, from the start of the development of the mechanised jute textile industry, vigorous and profitable Indian mercantile and manufacturing activity in baling, warehousing and dealing in raw jute, as has been shown by Omkar Goswami, who cites the membership of the Calcutta Baled Jute Association, which had 133 members in 1903-4, of which 70 were Indians, several of whom were to enter the exclusively European manufacturing sector in the 1920s.[57] Thomas Timberg calculated that by 1900 over half the jute balers were Marwaris.[58] Goswami goes on to say: "The Marwari move from up-country jute trade and *dadans* to speculation and futures markets, to industry, and then to the gunny trade and burlap exports, to eventually straddle all the sub-sectors of the jute economy, belies the potency of entry barriers".

There is, however, a difference between equity investment, speculative or not, in a successfully established business and, on the other hand, putting up risk capital to start a new enterprise. Timberg shows that Marwaris could be enthusiastic speculators but that they sought to avoid large risks with uncertain returns. As Bagchi points out, a new jute mill was expensive – a minimum investment of more than Rs. 2 million in 1910-12 [say £7.5 million at current values] – as was a cotton mill, for which Indian finance could be found in Western India, but with safer prospects. Nevertheless, in 1922, encouraged by the speculative profits of the war years, Ghanshyamdas Birla and Sarupchand Hukumchand each took the plunge with new mills at Budge Budge and Halishahar respectively.

Bagchi's contention that "the market for jute manufactures had to be sought out, and this search could be made only by businessmen who had an intimate contact

[56] Bagchi, *Private Investment*, pp. 263-66.
[57] Omkar Goswami, *Industry, Trade and Peasant Society: The Jute Economy of Eastern India 1900-1947*, Delhi, 1991, p. 85.
[58] Thomas Timberg, *The Marwaris: from Traders to Investors*, Delhi, 1978. Cited by Stewart, p. 26.

with the export trade" has to be accepted. There was a very modest export trade in country-made jute gunnies and gunny cloth in 1850-51, well before the establishment of the large jute mills:

	Pieces
To United Kingdom	69,636
To France	-
To Hamburg	2,180
To North America	2,290,427
To Coast of Coromandel	1,955,150
To Malabar	2,054,075
To Penang and Singapore	1,043,600
To Ceylon	357,290
To New South Wales	32,125
To Trieste	-
To Java	242,550
To Pegu	672,950
To Mauritius	213,980
To Cape of Good Hope	82,750
To Guam	15,000
To Arabian and Persian Gulfs	4,000
	9,035,713

Value Rs. 2,159,788 [say £10m at current values][59]

The scale of growth in exports of manufactures which was to come, however, completely dwarfed these figures, and not all of it can have been achieved by Indian bazaar merchants:

	Gunny bags (no. of bags)	Gunny cloth (yards)
1879-80	55,908,731	5,213,000
1889-90	97,415,895	37,144,007
1899-1900	168,323,849	307,021,359
1909-10	364,368,835	940,101,340
1914	368,759,260	1,061,151,537[60]

This argument is corroborated by the fact that in 1883 Charles Moore, the Gillanders Senior Partner in Calcutta, went on an extended sales tour to America, New Zealand and Australia, reporting back to his fellow old-Etonians, his Calcutta colleague Henry Gladstone and his London Senior Samuel Steuart Gladstone on his experiences. While he certainly provided hard market information on prices, on the threat of local manufacture in Californian jails, and the reliability of the "German Jew" who was their correspondent in San Francisco and New York, his letters are informal to the point of superficiality, including a description of a tourist visit to the Yosemite Valley, risqué jokes and a long

[59] Wallace, *Romance of Jute*, p. 10, citing Dr. Forbes Royle, *Fibrous Plants of India*, 1855, in turn citing "a Calcutta merchant named Henley".
[60] Indian Jute Manufacturers' Association, *Report of the Committee, 1917*, Calcutta, 1918, p. 117, cited in Stewart, *Jute and Empire*, p. 82.

description of his social successes with the Melbourne horse racing fraternity, to which he hastened to ascribe commercial value. Nevertheless, there is little doubt that he laid a satisfactory foundation for future trading, using his social standing and "old country" background to advantage, in a way which would not be within the reach of an Indian competitor for another forty years or more.

With the dramatic growth of the Dundee industry the demand for raw jute escalated steeply. This European-led demand, which significantly pre-dated the development of production in India, was met by the Bengali *ryots*, who responded by increasing the acreage under jute at the expense of paddy, a controversial process which made adequate food production vulnerable to climatic variations, particularly as the amounts grown increased exponentially over the next century. There is a large literature on this topic, which lies outside the scope of this thesis, but two points are relevant.

The first is that the *ryots* formed the most numerous group of Indian participants in the new jute industry, and were among the first, alongside the traders. The second is that they did so as independent agriculturalists, not as labourers on a European plantation, and did so voluntarily. The disastrous "immiserization" of the *ryots* in the 1930s and the famine in the 1940s tend to overshadow the relative prosperity of earlier days. Jute was the only cash crop: "At the beginning of the twentieth century the *ryots* regarded jute as a wonderful crop as they could afford all the luxuries of rural life…after selling their jute they covered their roofs with tin, dug ponds, and spent money on fireworks and feasts to greet their new daughters-in-law."[61] Goswami concludes that:

> …until the late 1920s most peasants not only earned a real surplus from jute cultivation, but …the gains were greater than what might have been under subsistence farming. Further, the jute cultivators of east and north Bengal were as responsive to relative prices and profits as peasants elsewhere…this helps restore to the peasants the rationality that was appropriated by generations of economic historians.[62]

---

[61] Tajil-Islam Hashmi, "The Communalisation of the Class Struggle: East Bengal Peasantry 1923-1929", *Indian Economic & Social History Review*, No. 25 (1988), pp. 171-204.
[62] Goswami, *Industry, Trade and Peasant Society*, p. 239.

MACKINNON, MACKENZIE & CO

From relatively humble beginnings, a few individuals built a new business which grew to include an important shipping line

Introduction

"Mackinnon's was possibly one of the most prestigious houses in Calcutta and was, in fact, sometimes seen as the successor to the East India Company... Mackinnon's regularly provided presidents for the Bengal Chamber of Commerce and my father, for example, was also a member of the Viceroy's Legislative Council..."[1]

Mackinnon Mackenzie were the Managing Agents for the British India Steam Navigation Company (BI), for a time the largest shipping company in the world. The size and importance of the BI relationship dominated the firm and its reputation, overshadowing its other, more conventional Managing Agency interests in tea, jute and coal, and its identity was also blurred by the common family ownership of Macneill & Co, whose offices were in the same Calcutta building and to which eventually all the non-shipping interests were transferred. It was the only Managing Agency with a major shipping interest, and as such it was regarded by the other large firms which were its peers as something of a special case, although much respected, not least for its wealth.

"Box wallahs" tended to be disdained by the mandarins of the ICS throughout the period from 1858 until the end of the Raj. Robert K. Renford's study *The Non-Official British in India to 1920* (Delhi, 1987) describes a number of examples, and Sir Bartle Frere's biographer wrote (of the 1860's): "At Calcutta, more than at Bombay, and than elsewhere in India, the Civil servants had hitherto been socially a class apart, having little intercourse with non-official Europeans..."[2] However, Mackinnon Mackenzie was, from early on, exceptionally close to

[1] Ruthven Monteath, cited in Stephanie Jones, *Merchants of the Raj*, Basingstoke, 1992, pp.15-16.
[2] John Martineau, *The Life and Correspondence of Sir Bartle Frere*, London, 1895, Vol. 1, p. 296.

Government, which, as we shall see, regarded the shipping line as a strategic imperial asset which it was desirable to support.

Like many Managing Agencies, Mackinnon Mackenzie began as a modest import/export agency – an "agency house" – and its survival from its early beginnings in the 1840s was a rarity. Most Managing Agencies were set up at least a decade later during the boom following the Indian Mutiny and the changes in Government policies after the East India Company lost its position. The trading house was transformed in 1856 with the inception of the Calcutta-Rangoon shipping line, and while it continued its trading activities for several years, it was as shipowners and shipping line managers that the business grew and prospered.

The contrast with Bird & Co, who also provided important services to the state, is instructive. None of the principals of either company were privileged in any way, and their initial success derived exclusively from determination and industrious effort. However, William Mackinnon developed negotiating skills which enabled him to become an "establishment" figure, and to pass that authority to his successor, James Mackay. The BI shipping line was already a major business, operating all the way from Rangoon to the Persian Gulf by the time Birds' started in 1864. While Ernest Cable of Birds' also earned an earldom, the business he ran was more workaday in character, and their Government or quasi-governmental contacts were at a more junior level than Mackinnon's until the 1920s and 30s, when Sir Edward Benthall, from a very different social and educational background, was head of the company.

William Mackinnon and the foundation of Mackinnon Mackenzie

William Mackinnon was born in 1823 in Campbeltown, a fishing and distilling town on the east coast of the Kintyre peninsula in the Firth of Clyde, the youngest child of his parents. Only four siblings survived infancy and childhood – one brother, Peter (b.1818) and three sisters, Elizabeth (b.1810), Catherine (b.1814) and Flora (b.1816). An article by the headmaster of Keil School, which is in the Guildhall archive[3], states that William attended an elementary school in Campbeltown before entering the burgh school, where, according to J. Forbes Munro, "the Rector and two or three assistants taught a curriculum that included English, arithmetic, book-keeping, geography, mathematics, navigation, Latin, Greek and French".[4] Another account has him the son of devout parents, a bright boy who "came to the notice" of the principal of the nearby academy, who gave him private lessons. Although it is uncertain how much of this ambitious educational programme will have made a permanent mark on a 13-year-old, the renowned quality of Scottish education must go some way towards explaining Scottish business success in India and elsewhere.

Munro also emphasises the maritime character of Campbeltown:

> Fast revenue cutters were based in Campbeltown and conducted anti-smuggling patrols over the entire western seaboard of Scotland, from the Isle of Man to the Outer Hebrides. They provided steady employment for seamen from the burgh, including William's uncle and cousins. Peter Mackinnon, Duncan's [his father's] brother, joined the customs service and by 1796 worked his way up to mate of the *Prince of Wales*. His two sons, including James, who rose to the rank of second mate of the *Wellington* cutter in 1844, followed him in turn. [5]

The importance of seafaring to the town and particularly to the family will have given William, the eventual shipowner, a deep-seated understanding of the maritime environment, even if he was not himself a seaman.

His uncle James Mackinnon had three sons – Peter (b.1832). John (b.1841) and Duncan (b.1844) – whom William called 'nephews' but were in fact cousins, and each was to play an important rôle in the family firms.

William's elder brother Peter was 'away to sea' by 1836, when their father died, and William probably left school (at 13) to be apprenticed to a grocer, later opening his own shop. Munro cites the census of 1841 as showing him as a grocer living with his widowed mother and unmarried sister Flora. His other

[3] Sheriff J Macmaster Campbell, 'Sir William Mackinnon, Bart.', *The Campbeltown Courier*. 20 and 27 January 1934.
[4] J. Forbes Munro, *Maritime Enterprise and Empire: Sir William Mackinnon and his Business Network, 1823-1893* (Woodbridge, 2003), p.18.
[5] *Ibid.*

two sisters were meanwhile expanding the family circle by marriage, Catherine to a mariner called Archibald Gray, Elizabeth to Alexander MacNeill, a ship's carpenter with a master's ticket. The sons of each sister, William's actual nephews, would also come to play an important part in his businesses.

William's grocery business failed, perhaps as a result of serious illness, but Munro was unable to find any corroboration of the stories told of his subsequent work in Glasgow between 1841 and 1846, which include working in a silk warehouse, and then for a Portuguese East India merchant, where, according to Jones, he quickly became a partner. He has, however, traced the family origin of the initiative which took William to India.

> Sometime during the 1840s, William's elder brother Peter went into partnership with Jamie Hall's father, and Peter took himself off to Liverpool to represent the firm of Hall & Mackinnon in that port. However, Peter and William Hall also had their eyes on India, where an acquaintance named Robert Mackenzie, a former bank clerk in Campbeltown, had a small general trading enterprise in Bengal. William Mackinnon and James Macalister Hall, it seems, were sent out to join Robert Mackenzie in India with a view to the development of a trade between Calcutta, Liverpool and the Clyde.[6]

William went to India in 1847 or before, but there is no corroboration of Jones'[7] story that he was running a sugar factory near Calcutta when he met Robert Mackenzie, who had an import/export business in Ghazipur, dealing principally in piece-goods, travelling frequently to Calcutta. An alternative version[8] suggests that Mackenzie came to Calcutta in 1836 and set up an oil goods import/export business and was engaged in the coasting trade in the Bay of Bengal as well as being an agent for the India General Steam Navigation Company (for which Ghazipur would be a more plausible location than Calcutta). Another secondary source[9] says that Mackinnon "rose to a prominent position in one of India's leading trading houses, Smith, Mackenzie and Co." In spite of these uncertainties, however, it seems that the two men set up the Mackinnon Mackenzie partnership in (December[10]) 1847, combining general

[6] Munro, *Maritime Enterprise*, p. 21.
[7] Jones, *Merchants of the Raj*.
[8] De Fonseka website concerning the history of P&O in Ceylon, http://www.defonseka.com/hist_mack01.htm. This version is largely repeated in Peter C. Kohler, *Sea Safari*, P. M. Heaton Publishing, Abergavenny, 1995. Extracts on website www.merchantnavyofficers.com/bistart.html.
[9] Daniel R. Headrick, *The Tools of Empire: Technology and European Imperialism in the Nineteenth Century*, New York and Oxford,1981.
[10] Kohler, *Sea Safari*, n.p

trading with chartering ships between UK ports and Calcutta (via the Cape), carrying as cargo some goods on their own account and some from other merchants, for whom they acted as sales and purchasing agents on commission.

Consignments from the UK seem mainly to have consisted of cotton piece-goods; return cargoes could be oil seeds, rice, jute, indigo, saltpetre, sugar, dates and silk. Like all "agency houses" they were part of the bazaar economy, representing a valuable export market which they understood and from which they could gain (if painfully slowly) information about demand, but apart from that specialised knowledge, a necessity for any exporter, they had at this stage no technical or financial superiority. As importers, however, they enjoyed the advantage of representing British manufacturers of machine-made cotton textiles, the dominant force in world textile markets and still protected from Indian competition by the prohibition on exports of British textile machinery. Just like the Indian merchants with whom they did business, they had to assess credit risks, demonstrate their own creditworthiness, and manipulate money transfers to maintain liquidity. If Mackenzie was indeed working in Ghazipur, he would have been one of only a handful of Europeans there, by no means all of whom would have been British.

At this time the capital of the firm was:

Mackenzie	Rs. 26,594
Mackinnon	Rs. 19,498
	Rs. 46,092

Rs. 46,092 or £201,482 at current values, which shows that the firm was fairly solidly funded, and that Mackinnon had already managed to get his stake together, either from Glasgow or in Calcutta.

Profits in the next two years were:

1850	Rs. 16,171 or £74,720 at current values
1851	Rs. 68,605 or £326,381 at current values

so the new partnership was doing well. [11]

In 1849 James Macalister Hall, also from Campbeltown, joined the partnership. Munro states that Hall, who was two months his junior, was William's closest school friend, and certainly friendship lay at the heart of the long, close business

[11] E.J.Pakes Private File, not referenced. Guildhall Ms. 27831.

partnership between them. Munro speculates that they may even have been distant relatives.

Jamie Hall went to Ghazipur to look after the business there and to establish the firm of Mackenzie Hall & Co.

> Of the two concerns...Mackinnon Mackenzie was soon the more successful, and by 1853 it had relocated to Calcutta. This occurred largely through William Mackinnon's efforts to shift it out of local India commerce into the import-export trades – for which purpose he drew upon his Glasgow friends [cotton merchants], Connal and Gunnis...His 'nephew' Peter, eldest son of James and Margaret, went out to India to be an assistant in 1850. Neil Macmichael, a former school friend, went to Ghazipur to relieve Jamie Hall.[12]

The discovery of gold in Australia in 1851 sparked an economic boom there and attracted the interest of exporters and investors in Calcutta, which was at a reasonably accessible distance. Mackinnon Mackenzie extended their trading and chartering business accordingly (although it was never to prove satisfactory). A report of sales[13] sent from Sydney to Calcutta by Robert Mackenzie in 1853 lists randomly miscellaneous items, geared no doubt to the imagined needs of "diggers", but perhaps not untypical of the opportunistic nature of their trading. As well as staples like sugar, rice and maize, it ranges from English leghorn hats (bought in Singapore) to coffee, black pepper and gutta percha jugs and basins.

Before this report can have reached Calcutta, Mackenzie, on his way back, was drowned in the wreck of the *Aurora* on 15th May 1853.

William and Jamie then took over the partnership, and Jamie wound up his interest in the Ghazipur concern. He wanted to rename the Calcutta firm Mackinnon Hall & Co, but was dissuaded by William on the grounds that the name should be kept in reserve until the partners opened a London base (which they never did). Peter Mackinnon was admitted as a junior partner in 1854, while Jamie's younger brother, Peter Hall, became a junior partner in 1861. His salary is noted as Rs.500/- in the first year, Rs. 1,000 in the second and Rs. 1,500/- in the third. (Rs. 500/- was just over £2,000 at current values, so it was far from generous but very typical.) James Hall, Peter Mackinnon and Peter Hall, in a rotation to permit home leave, managed the Calcutta firm throughout the 1850s and 1860s.

---

[12] Munro, *Maritime Enterprise.*
[13] Guildhall Ms. 27814.

When Mackinnon had bought out Mackenzie's share in the partnership he returned to Scotland, leaving James Hall to run the firm in Calcutta. In that same year he set up Wm. Mackinnon & Co.[14] in Glasgow as a base for promoting cargo shipments, purchasing goods on the firm's own account and taking care of sales of return cargoes. It was also a base for negotiating charters and, very shortly, for investing in the firm's own ships.

It is possible only to speculate on the extent to which Mackenzie's death was a factor in Mackinnon's decision, but it can scarcely have been a coincidence.

William Mackinnon, the individual

Mackinnon's commitment to evangelical Calvinist Christianity was evident in his public career, which embraced support for missionary work in Africa and for the Free Church of Scotland.

Munro emphasises Mackinnon Mackenzie's close connections with the Free Church of Scotland in Calcutta – which Alexander Duff had led away from the Scots Kirk. William Mackinnon had left the established church at the time of the great Disruption of 1843. It was through the Free Church that William met William Haworth, a coffee planter, and David Begg, then an indigo planter. Mackinnon Mackenzie as a firm was the church's treasurer.

> A strong family piety suffused the ethic of the firms, and strengthened the bonds of trust based on kinship that enabled business to be transacted over the very long distances between Calcutta, Glasgow and Liverpool. It was a set of beliefs which, alongside strict Sabbatarianism and an aversion to alcohol, inculcated a work ethic that sustained long hours of labour and a willingness to suffer the discomfort of regular travel in the interest of family and firm.[15]

William's commitment was evident in some of his earlier letters, which from time to time invoked God before signing off – "deserving for you all every needed

[14] see Headrick, *The Tools of Empire*, p. 76.
[15] Munro, *Maritime Enterprise*, p. 33

blessing & seeking that we may learn and apply profitably the lessons taught us by passing events";[16] "seeking Grace for you and favours from the Lord".[17]

He wrote to Haworth, who managed or owned a coffee plantation in which Mackinnon had an interest, about an evangelical project: "...if you see we can afford it from the produce of the plantation I would now be glad to see you try to carry out our old plan of a Christian school for the workpeople and their children and also a small dispensary."[18]

He wrote to James Hall: "Bye the bye I will be well pleased if you do not credit me with any portion of commission on opium – I have great doubts about it altho' I would be sorry to say another person was doing wrong in acting differently."[19]

When news of the Mutiny reached him, Mackinnon wrote to James Hall about "the fearful crisis thro' which India is passing", demonstrating his conviction that the revolt was a challenge to Christianity by heathen forces rather than any kind of political manifestation. His was not, of course, an exceptional opinion at the time, and could reflect Alexander Duff's view that Christianity was a logical concomitant of Westernisation, although it lacks the philosophical and theological subtlety of Duff's influential proselytising. It also reflects the anger felt by the British in India and in Britain at what they saw as betrayal, an anger which profoundly altered British attitudes to Indians as a whole.

> ...May the Almighty in his goodness preserve all of you thro' it, and cause you to realize more and more that He is the Sovereign disposer of all events, and that He is a sure defence to all who put their trust in Him...What awful proof of the fearful depravity of man when left to himself or to the influence of fallen spirits...It appears like the fearful judgements of the Almighty against our nation – and against India – agst ourselves perhaps for our neglect as a nation to give Him the honor due to His name, and the denial of Him in our Indian Government, and agst Hindoo and Mahometans for their refusal to accept the message of mercy. Looking back it appears as if this is a fearful warning, our duty and our responsibility are not yet ended, however, I hope. The empire will yet be Britain's but woe betide her if she does not rule it as a Christian nation should. Henceforward our rulers should recognise no caste, and all efforts for the improvement of the natives should have an openly avowed Christian bias and basis. Every office of trust should be in the hands of Europeans...no man

[16] W.M. to James Hall, 26 November 1857, File 57, SOAS (pages not numbered).
[17] W.M. to Peter Mackinnon, 26 April 1862, File 58, p. 142, SOAS.
[18] 27 December 1858, File 58, p. 52, SOAS.
[19] W.M. to James Hall, 23 December 1858, File 58, p. 48, SOAS.

> should be elligible [sic] for any office under Government (unless a menial one) who is not a Christian![20]

Mackinnon himself did not incline to "accept the message of mercy" for the mutineers. To his nephew Peter Mackinnon he wrote:

> I have great hope that our supremacy will have been restored and justice – stern justice – inflicted on the inhuman fiends who have steeped their hands treacherously in the [*illegible*] blood of our countrymen. The most intense anxiety is felt in all minds here and the nation would do everything and make any sacrifice to avenge the past...[21]

But he did not want vengeance to interfere with business:

> I observe you have joined the Volunteer Corps...I am rather surprised and disappointed at the military fervour which seemed to have taken possession of you...and to wish for a commission in the Indian Army and to give up business entirely...[22]

> ...we have heavy responsibilities, and altho' I can enter fully into your feelings of detestation and desire for vengeance on the inhuman [*illegible*] who have spilt the blood of the innocent like water, yet I trust you have stuck to the duties imposed on you...[23]

But the military activity had also provided a silver lining:

> The choice of the *Cape* by Government is an excellent thing for the Co. I observe she left Colombo on 4th June with 353 soldiers on board, a much larger number than you expected.[24]

This was the first of many wartime Government requisitions/charters of BI ships over the next 50 years. There is a list of 17 British military campaigns up to 1901[25] for which BI ships were requisitioned, and there were to be many more such requisitions, and many ships lost, during the two World Wars in the 20th century after the merger with P&O. The military obligations of Royal Mail carriers could be onerous.

Sunday Observance was obligatory. He once wrote to James Hall "I was very sorry, however, that circumstances should have rendered it necessary to write to me on a Sunday. It is, as you say, a rare thing, and I hope it may be a long time before you are again necessitated to do so."[26] The contract which was eventually

[20] W.M. to James Hall, 4 September 1857, File 59, p. 356, SOAS.
[21] W.M. to Peter Mackinnon, 17 September 1857, Guildhall Ms. 27806.
[22] 7 August 1857, *ibid.*
[23] 17 September 1857, *ibid.*
[24] 25 July 1857, File 59, p. 321, SOAS.
[25] Undated promotional leaflet, p. 3, Guildhall Ms. 27831.
[26] 8 May 1857, File 59, p. 264, SOAS.

negotiated for the shipping service from Calcutta to the Persian Gulf provided specifically that ships should not be required to sail on Sundays.

It appears that this rigour was shared by saloon passengers:

> The Austrian traveller Baron Von Hubner, who made a long voyage in the Durunda in 1885, recorded in near despair the awfulness of a shipboard Sunday - no whist, no bezique, even smoking was unpopular. 'Young M. caught with a novel in his hand: a lady looks at him fixedly, utters the word "Sunday", takes away the novel and slips into his hand a hymnbook instead'.[27]

Mackinnon was plainly an archetype exemplar for Max Weber's contention that Christian Protestantism, and particularly Lutheran and Calvinist Protestantism, generated the "Spirit of Capitalism" in Northern Europe and North America which was to establish global economic dominance. Weber stressed the pivotal importance of the profit motive – "this sober bourgeois capitalism, with its rational organisation of free labour"[28] – but he ignored the factors of creative initiatives and risk-taking which all successful business ventures require, as well as the motivation of the less rational rewards of self-satisfaction and competitive achievement. Calvinism elevated thrift, frugality and hard work to the status of virtue, if not quite salvation, in Scotland and elsewhere, but these moral imperatives were certainly recognised by quite different religious traditions, notably, as far as the immediate context of this work is concerned, in the Parsi and Marwari communities.

In the case of William Mackinnon one can safely ascribe his thrift, frugality and relentless industry to his Calvinist upbringing, but his success was as much the result of his imaginative vision, his keen perception of opportunities, his boldness in taking risks, his intense competitiveness and his skill in developing and manipulating personal contacts, none of which are normally regarded as peculiarly Protestant qualities.

At a more personal level, the unchanging regularity of his careful handwriting seems to indicate a driven, slightly obsessive person, and he shows a grim, unsympathetic formality which does not bend even when writing to his old friend James Hall about his mother's final illness, using what today seem like

[27] cited by Kohler, *Sea Safari.*
[28] Max Weber, *The Protestant Ethic and the Spirit of Capitalism,* Trans. Talcott Parsons, London, 1992. [First published in Germany1904/5.]

sanctimonious clichés but were doubtless a comforting refuge to such a devout man. He could be as unforgiving of business antagonists in financial trouble as he was of the Indian mutineers, although in less dramatic language.

On the other hand he was unswervingly loyal to his family clan (including the Hall family), from which almost the entire management of the firm was recruited. This exclusivity, which mirrors Marwari practice very closely, may well have had similar foundations – primarily the placement in distant posts of individuals whose loyalty, integrity and acceptance of patriarchal authority were axiomatic and reliable, although doubtless it was also to intended to keep within the family the financial benefits of partnership. Nevertheless, the unfortunate Peter Mackinnon received several letters of swingeing criticism, one of which pushed him to the edge of resigning. It blamed him for his inability to find buyers for a large consignment of cotton piece-goods, lying in stock for months on Gunnis' account, being forced eventually to dispose of it at a loss, thus putting at risk the lucrative agency contract with Gunnis. It was followed by a didactic letter which illuminates the realities of commercial operation in the bazaar, and the value attached to trading operations even while the shipping interests were being built up.

> I have often urged on you the importance of making yourself thoroughly acquainted with piece-goods...Let Paul consult you at all times and on all points when any big bargain is being made – don't leave him singly to cope with the 'cute Native buyers. I cannot help thinking he allowed himself...to be talked over too much by some sharp bazaar people and by our own broker. The broker needs, as you know, to be thoroughly watched and all he does well lifted, and you will require all your wits about you to avoid being done now and then by him and the other sharp witted men who are always going about. Write Gunnis carefully and often and do your best in your correspondence to show him your interest in his affairs and that you are thorough in all that is doing for him...

Thoroughness was a very evident characteristic of the firm's management: Most of Mackinnon's weekly or fortnightly letters to Calcutta consisted predominantly of several pages of market reports, detailing the prevailing demand and prices for the commodities which Calcutta might ship, and likewise detailing the consignments of piece-goods which were being prepared for outward shipping. This obsessive, "hands-on" insistence contrasts sharply with the business style of the Gillanders partners.

In the same letter William Mackinnon went on to encourage his nephew to cultivate useful contacts:

> we must keep up our position with our friends, with the good folks in Calcutta too you should to a certain extent <u>aim</u> at a good position. As you represent large interests as well as our own, lay yourself out occasionally to see people to compare notes with whom you feel it would be an advantage to you. Cultivate personally as far as you can good relations with men in official situations...[29]

Even if he was a hard taskmaster, he was well able to gain the trust and respect of his business contacts – and even their affection, at least in the case of David Begg[30] and Bartle Frere[31]. He was also more than willing to use his influence and resources to do favours in India for the family and friends of those who were important to him in business – a commonplace and overt practice at the time, even if the excesses of 18th century "preferment" had been tamed.[32]

The Calcutta & Burmah Steam Navigation Company

"Lower Burma", in which Rangoon was situated, was annexed by the British in 1852 after the second Burmese War and came under East India Company administration. In addition to the extension of governmental responsibility, the newly pacified and liberalised Burmese trading opportunities created commercial interest in Calcutta, and the need for more reliable communications was an obvious concomitant to both. In 1855, according to Kohler, the Bengal Government invited tenders for a regular mail steamship route between Calcutta and Rangoon.

By this time Mackinnon's was moving from merely renting cargo space and chartering ships into part-ownership of ships (a normal maritime arrangement for spreading risk). According to J. Forbes Munro:

---

[29] W.M. to Peter Mackinnon, 9 January 1861, Guildhall Ms. 27804.

[30] Begg, a doctor, had been a successful indigo planter, and a founding partner of Begg, Dunlop, a substantial Calcutta Managing Agency. Although not listed as a Calcutta & Burmah shareholder in Mackinnon's original letter to Peter Mackinnon of September 1856, he certainly became one later. The Macneill & Co.(Duncan Macneill, another nephew) Managing Agency looked after many of his Indian interests. Mackinnon and his wife would stay with him near London from time to time. He must have been much older than Mackinnon; he died in 1868.

[31] see below.

[32] see for example W.M.'s letter to Peter Mackinnon, 5 February 1856, File 56, SOAS.

> At first they purchased cheap, Canadian-built wooden sailing ships, but from 1860 they began the development of a small fleet of Clyde-built iron sailing ships. Mackinnon, Frew & Co, Liverpool, in which William's brother Peter was principal partner, managed this fleet until it was abandoned in the 1880s.[33]

The principal issue for those tendering for the new service was securing a subsidy from Government for carrying mail. The operators of the steamships of the time, powered by "simple" engines (i.e. not the much more efficient "compound" engines introduced some years later), had to carry so much coal that space for cargo, and indeed passengers, was limited, and freight was often insufficient to cover operating costs. A mail subsidy would make all the difference.

In fact the principle of mail subsidies had been established for some time, even before the coming of steam, and the British Government paid hefty subsidies to P&O and others (not without complaint in Parliament)[34] in order to secure the strategic benefit of loyal and reliable overseas communications, as well as the availability of ships as troop transports in an emergency.[35] The same considerations would influence the Indian Government, which had more immediate strategic defence anxieties, even before 1857. Directly parallel was the Government's policy for encouraging private investment in Indian railways by guaranteeing a 5% return.

In one of the earlier letters in the archive William Mackinnon wrote at length to his nephew Peter about the crucial step being taken "to get up a company for Screw Steamers to Rangoon", and the overriding need to negotiate a subsidy.

He lists the original subscribers of the £20,000 capital (£900,000 at current values), who included I. Halliday, G.P. Gunnis (a Manchester cotton manufacturer and designer, and a major agency customer); George Duncan; and James Hall and William Mackinnon through Mackinnon Mackenzie. A further £7,500 was reserved for investors in India:

---

[33] Munro, *Scottish Overseas Enterprise*, p. 77.
[34] "By the 1860s the British Government was spending over £1 million [say £45 m] a year on mail contracts to steamship companies." Headrick, *Tools of Empire*, p. 170.
[35] Freda Harcourt, 'The P&O Company: Flagships of Imperialism', in Sarah Palmer and Glyndwr Williams (eds), *Charted and Uncharted Waters: Proceedings of a Conference on the Study of Maritime History*, London, 1982, pp. 6-28.

> We do not wish to have any shareholder holding less than £500 worth of stock. Try and get a few in Calcutta to take this or a larger amount. Ramgopal will I daresay, and perhaps a few more – Some of the other rich natives engaged in the trade – that old fellow was used to buy the book muslins and others – it will be important to get for shareholders people who can give cargo and with this view we might perhaps allow parties to hold £250 stock – not less…

It is interesting that at this time Mackinnon was quite ready to welcome Indian investors, particularly those with cargo to ship, although it is possible that his attitude may have changed following the Mutiny a year later.

On the issue of the subsidy it becomes clear that there was serious competition from another British firm – Livingstone, Withers & Co. – and Mackinnon instructed his nephew urgently to get in touch with the Government in Calcutta, initiating

> … official correspondence which I wish you to open with the Govt thro' the proper channel immediately on receipt of this letter. Let every other matter stand for a day and apply yourself to this…
>
> Address the Government or Marine Board… and intimate your now being ready as Agents for the "Calcutta & Burmah Steam Navigation Co." to run a steamer once a fortnight between Calcutta and Burmah and to carry the mails.

The offer to provide a scheduled service was based on the principal advantage conferred by auxiliary steam power - reliable regularity rather than speed, being no longer at the mercy of the wind. From the point of view of merchant shipping management it was a very significant shift in emphasis away from opportunistic "tramp" operation, which allowed a ship to wait until she was loaded and ready before sailing, and to some extent to allow demand to dictate the ports for which she was bound. The selection of ports for scheduled services was dictated by three principal factors: where a mail subsidy was paid, Government would specify ports which it knew to be important centres for administrative and military activity, generating mail volume and requiring passenger services for Government servants; the levels of commercial activity generating inward and outward cargo – which would usually coincide with Government criteria; and the distance between coaling points.

Although these management considerations were new to Mackinnon Mackenzie in 1856 , knowledge of the route to Rangoon from Calcutta would have been familiar in Calcutta. It was nevertheless a bold and innovative step by William

Mackinnon and his fellow shareholders, and the correspondence goes into some detail about shore facilities in Rangoon.

But the underpinning of a mail subsidy was a necessary concomitant.

> If no agreement can be come to, by hook or crook get them to keep free from any engagement to contract with any other company as Livingston Withers & Co. have made and will make great efforts to forestall us. We will, I trust, have our boats out first this I believe will be a great point, and we are going to do our utmost to be first in the field. Use your discretion and judgement as to what steps should be taken to secure our object with the Government and exert yourself in every quarter to bring influence to bear on it; lose not an hour, but set vigourously [sic] to work and we may yet get the field to ourselves. Livingston's are determined to do the same and it will be a hard fight. I just trust that by greater promptitude and zeal you will succeed in securing what we have in mind...The thing must be done, must be done well and must be done promptly. We will buy two steamers and build a third – these two we will dispatch with all speed... [36]

In spite of all the exhortations and advice, however, Peter Mackinnon did not succeed. His uncle wrote:

> We were all very sorry to find there appeared so little probability of your obtaining the subsidy for us. I wrote you two mails ago that we had been asked by Livingston Withers & Co. to come to an understanding with them. They would buy our boats but we would not sell...Since receipt of your letter, however, we have again opened up correspondence and have submitted a proposal...This morning I have a few lines from Withers in which he says "the terms. you offer are now under consideration..." So after all things may come into our hands yet.... [37]:

Eventually the deal was done, and Mackinnon Mackenzie as Managing Agents had the mail contract, and were responsible for all aspects of managing the Calcutta & Burmah Steamship Company, including crew, harbour facilities and bunkering. Two ships had been bought – the *Cape of Good Hope* and the *Baltic,* the former a new 500 ton steamship built for the London-South Africa service of the now defunct General Screw Co. – and the two ships maintained a fortnightly run between Calcutta, Akyab, Rangoon and Moulmein. The new ship was ordered, in the face of opposition from the cautious shareholder George Duncan, but was ill-fated. She never went into service.

> What an unfortunate thing the wreck of the *Calcutta* is – she was only 16 hours from Liverpool when in fog they ran her on Arklin Bank. The cargo, crew and passengers are all saved but the ship is not likely to be got off. She is much

[36] 25 September 1856, Guildhall Ms. 27804; File 59, p. 134, SOAS.
[37] 9 January 1857, Guildhall Ms. 27804; File 59, p. 162, SOAS.

> strained, I doubt. She is well insured which is so far satisfactory - £17,500 [£800,000 at current values] – but her loss will be a great inconvenience to us.[38]

but only two weeks later the indomitable Mackinnon could write: "to supply the loss of the *Calcutta* we have bought a new steamer nearly ready for launching at Hartlepool."

This was not the first stroke of ill-fortune – the previous year the *Cape of Good Hope* had been rammed (accidentally) and sunk in the Hooghly "by P&O's aptly named *Nemesis.*"[39]

It appears that the dissension on the Calcutta & Burmah board reached a crisis in the autumn of 1859. Mackinnon failed to get the obstructive George Duncan off the board and resigned himself. He was anxious for the company to move to Glasgow, and if that happened he would rejoin the board, as requested by David Begg, Halliday and others.[40] It seems that he did indeed float another steamship company to underpin his ambitions to extend his operations to Madras, and that this was called the Bay of Bengal Company. However, by early the following year he seemed confident of getting agreement at the next Annual General Meeting to move the company to Glasgow, and was hoping again for Duncan's resignation. He planned to merge the two companies.[41]

By June 1860 they were working on a tender for a Calcutta-Madras mail service. Mackinnon wrote to James Hall from Geneva, where he was on holiday[42]:

> Meantime go on with the arrangements for a line between Madras and Burmah, if the Calcutta & Burmah Co. won't take it up we'll easily arrange it ourselves.

Mackinnon was now showing his skill in making useful contacts and exploiting them – "networking" in today's terms. The Calcutta & Burmah company was based in London, and no doubt he could find opportunities to broaden and develop his acquaintance there. It seems to have been a remarkable talent, not necessarily to be expected in someone brought up quietly and piously in a small town in a remote part of Scotland.

---

[38] 15 May 1860, Guildhall Ms. 27804..
[39] Kohler, *Sea Safari*, n.p.
[40] W.M. to James Hall, 27 September 1859, File 58, p. 91, SOAS.
[41] W.M. to James Hall, 25 February 1859, *ibid.*, p. 101.
[42] 8 June 1857, File 57. n.p., SOAS.

> I think the home Government might be disposed to help in such a case in consideration of the home mails being carried. I can have very good access to Wilson at the Board of Trade and will endeavour to find out whether any assistance from him might be expected. If you get a promise from Bendon [a Bengal Government official?] of a decent subsidy, you had best make the arrangement in our own name, as I can easily get up an independent company. Gunnis will go the length of his tether with us in it, and he will get Mr Salmond of the City [of Glasgow] Bank to co-operate with him.
>
> ...I don't think Duncan can offer any more opposition to a new and suitable steamer being built. If he does we must first call a general meeting and carry the measure against him...We must I think double our interest in the Burmah Co otherwise we may lose much of our influence in it and as it is so promising an undertaking I don't think we can go far wrong. Gunnis double [sic] his interest and has bought Law's 10 shares. Begg doubles his also – you have long 'ere this heard that the resolution doubling the capital has been confirmed. If the Madras extension is agreed on it will have to be doubled again or made say £150,000 [£6.5 million].

The following month he wrote reiterating the argument against Duncan, and saying that he, Begg, Gunnis and Halliday would take up <u>all</u> remaining shares and pay for them. "I have arranged an open credit of £20,000 [£860,000] for the purpose."[43] He wrote to Halliday to say that if necessary he would personally buy out Duncan and his friends.[44]

Eventually Duncan and other London directors were squeezed out and Mackinnon moved the Company to Glasgow in 1860. For all the boardroom problems., Mackinnon evidently had enormous skill in identifying and convincing potential investors to build the company's capital base, a skill which paralleled his political networking. He was putting together significant finance, without using the stock exchange, all of it from private individuals except for lines of credit from the City of Glasgow Bank, where Gunnis evidently had the initial influence, and where Mackinnon followed in his footsteps, eventually becoming a director there.

Another major source of finance (possibly unrealised) was John Pender, another Manchester merchant, whose wealth and prospects Mackinnon enumerated[45], and who at one point proposed a merger of Mackinnon's with his London firm of Gibb. However, this seems not to have come to anything, and in 1864 John Pender turned his attention to the new opportunities provided by submarine cables, eventually creating the vast monopoly of the Eastern and Associated

[43] 21 July 1857, File 59, pp. 302-4, SOAS.
[44] 21 July 1857, File 59, pp. 305-6, SOAS.
[45] 24 February 1858, File 57. n.p., SOAS.

Company controlled by him and his family. "Of the approximately 190,000 miles of submarine cables in the world in 1900, 72% were British owned, mostly by Eastern and Associated."[46]

As the shipping line grew exponentially and technological developments gathered pace, the need for more and more capital grew in parallel, and it could not have succeeded without Mackinnon, who did not have (or doubtless wish for) the professional financial advice at his elbow which his modern counterpart would take for granted. Mackinnon's skill was self-taught and his industry prodigious. In the early days it seems he kept the Glasgow books himself, and the out-turn of "partners' private letters" ran to thousands of words a week.

Meanwhile he was driving on with the "extension of steam communication" from the basic Calcutta-Rangoon line.

> Begg had Bendon a fellow passenger to the Sandheads. The Madras contract not likely to be settled immediately, but he thinks they would be inclined to give us a subsidy for a line to Singapore from Burmah altho' it is not very important for Government purposes. Bendon thinks our contract is small (subsidy I mean). Begg is of the opinion that a little gentle pressure might settle the thing...try it. I would like that better than the Madras line as I am quite sure it would pay better & would be easily handled! We would get it up among 4 or 5 [fund a separate company].[47]
>
> I hope you have succeeded in completing arrangements for the Andamans[48] and Straits but you must avoid the pains and penalties if possible in your contract, and get grants of lands for coal depots and wharves if you can at all the stations. See what you can do also about a contract and subsidy along the coast to Madras and Ceylon. I am certain there is an ample field and if we don't someone else will take it up soon. I am going on with the formation of a company which once formed may take up in addition the Madras and Burmah line if you secure a good subsidy and a contract on favourable terms.. We must make a bold push to get the whole steam trade of the Bay of Bengal with our own hands whether by means of one or more companies![49]

However, the subsidies and contracts seem to have been slow in coming. On 21st May 1861 he wrote to Peter Mackinnon: "Try again to get a subsidy for the Madras line and offer to continue further down the coast or with proper encouragement to Bombay." He also wrote: "See about the subsidy again down

[46] Headrick, *The Tools of Empire*, pp. 161-2.
[47] 31 March 1858, File 57, n.p., SOAS.
[48] The Andaman Islands were only sparsely inhabited, but were the location for a Government penal colony. There was therefore an official need for the regular carriage of mail and supplies, even though the volume may have been low.
[49] 31 July 1858, File 58, p. 6, SOAS.

along the coast from Burmah to the Straits & Singapore – now that the Bengal Marine[50] is abolished Government may be inclined to entertain proposals for such lines for their own convenience. It's worth a trial as if we don't offer someone else will. With our six steamers we shall be able to undertake a good deal, and we can easily build another..."

What must be only a draft of the Madras contract is in the SOAS archive.[51] It is in the form of an indenture between the Secretary of State for India and the four partners, now including Peter Hall, who was James Hall's brother, "merchants and co-partners trading under the style or firm of Mackinnon Mackenzie and Company". The service was to begin on 12th May 1861 and be monthly thereafter, calling at Masulipatam, Cocanada, Vizagapatam and Bimlipatam.

The Government had the right to require passages for its own personnel up to a maximum of:

> 5 commissioned officers or other public servants entitled to cabin passages,
> 3 warrant officers,
> 125 men,
> and 30 tons of stores.

The mail contract was worth Rs. 4,500 [£18,225 at current values] each round voyage, with a minimum guaranteed revenue of Rs. 7,500 [£30,375] underwritten by Government.

Even before the Madras contract was signed, Mackinnon was writing: "The earnings this half year are magnificent and if it concludes as well as it has been going on, there should be a net amount on Voyage a/c of £25,000 [£1,125,000] or thereabouts – enough to pay all our debts."[52]

Mackinnon Mackenzie was well-rewarded by the steamship company for its Managing Agency services. In September 1861 Mackinnon wrote: "We are trying to arrange a fresh commission contract with the company to embrace <u>all</u> the

---

[50] The Bengal Marine, like its counterpart on the West Coast, the Bombay Marine, was a small fleet owned and operated by the Government, which had originally had a primarily military function in protecting British merchant shipping, but had also undertaken the carriage of mails, passengers and cargo. The Government decided to abandon direct participation in this activity.
[51] Box 97, File 14, SOAS.
[52] 21 May 1861, Guildhall Ms. 27804.

agencies on both sides of the bay" and a few days later: "I have closed the Agency contract at 13 1/2% on gross earnings & 5% on net profits as a minimum, 1 1/2% additional on gross when the company gets 15%, 1% more on gross when the company gets 19%. Under this arrangement we take all the Agencies including Akyab for 3 years from 1st January next...We must see to get one Postal contract for all the lines."

A major push for expansion

By the autumn of 1861 Mackinnon's sights were set on even more ambitious subsidised extensions for the line. He had in mind a service all the way round the coast from Calcutta to Bombay, and then on to Karachi and the Persian Gulf. He decided to come to India himself, and engaged in some vigorous lobbying before he left.

> I got an introduction to Lord Elgin and had a very pleasant interview with him alone for about half-an-hour on Monday last. He leaves for India in December and he may have the arranging of our steamer contracts. He will make a good Governor General and he is a Scotchman of very great and very varied experience... I spoke of our steamers and he made various enquiries about them and the traffic existing. I think he'll take some interest in them. We must try to get the contracts all in one and for 5 or 7 years.[53]

He had arrived in Bombay to continue lobbying when he wrote on 16th November:

> This morning I saw Mr Reeves, the senior member of Council, regarding steam communication. My scheme he had put into Mr Frere's hands, approving himself very highly of it and desirous that the Government should take it up. He said he thought I should if could spare the time go up to Mahableshwar and see the Governor ... From all I can see and hear, there is a very large trade done all along the coast and so long as to induce competition, but the steamers are so miserable and the *Moulmein* so superior that we would carry all the trade.
>
> The Kurrachee trade is still more important and if decent subsidies were given I think we would find the whole very profitable...the profitable extension of our steam lines is as important to us as any part of our business...[54]

[53] 1 October 1861, Guildhall Ms. 27804.
[54] *Ibid.*

This straightforward expression of his new commercial priorities marks the turning point in Mackinnon Mackenzie's transformation from a general trading and chartering "agency house" to a major shipping Managing Agency.

> ...The Governor...will not be here before 1st December but...he concurs with Mr Reeves and Mr Frere in regard to the desirability of the Lines proposed and would be prepared to recommend any reasonable proposal to the Secretary of State for India and the Government of India...
>
> the traffic is very large and being rapidly developed by a very inferior class of steamer, The Bombay Steam [Navigation Company][55] have, I believe, only 3 steamers...The concern has a very bad name and their 500/- shares are worth about 200/-. Government is disgusted with them and would gladly arrange with a respectable company...[56]
>
> I saw Mr Reeves and Mr Frere this morning and find them very desirous to arrange with us for the lines to Kurrachee and Bushire. Mr Reeves is accordingly friendly and recommends me to see Sir Bartle Frere to whom I have an introduction from his brother here...[57]

MacKinnon then went to Calcutta, and before long had indeed met Sir Bartle Frere, a member of the Supreme Council and shortly to become Governor of Bombay. His biographer records the meeting, perhaps not knowing that Mackinnon had an introduction from Frere's brother in Bombay.

> ...once a week Frere had a public breakfast to which any person who wished to see him on any business could come...the non-official Europeans...found Frere always ready to give them a courteous and attentive hearing. It was thus that he met Mr. (afterwards Sir William) Mackinnon, who became for the rest of his life one of his warmest friends...it was not till early in 1862, shortly before Frere left Calcutta, that a friend took him to one of Frere's semi-public breakfasts...Frere, with a quick eye for a man of mettle, gave him and his proposal a cordial reception. "You are the man I have been looking for for years," he said to him; and he took him to Lord Canning, who gave favourable attention to his scheme. But the consent of the Bombay Government was also necessary, and this Mackinnon was unable to obtain until Frere went to Bombay as Governor in April 1863. [The writer is mistaken. It was in April 1862] There he was the first person with whom Frere had an interview after being sworn in, and the result was that the subsidy was soon after granted.[58]

The political context is more knowledgeably described by Munro. Frere was arguing for the Bombay Marine to be wound up as well as the already discontinued Bengal Marine, and for the private sector to provide all the Indian government's maritime transport needs, thus being encouraged to develop a

---

[55] see below.
[56] 20 November 1861, Guildhall Ms. 27804.
[57] 29 November 1861, *ibid.*

mercantile marine in Indian waters.

> 'We have in the coasting trade of India itself', he commented, 'the means of creating a local steam marine, which in time of need might render most valuable service to the State; but we have hitherto done little as a Government to assist in developing this branch of our resources.' He suggested an immediate enquiry into how 'local coasting steamers' might be promoted ' by making use of them as far as possible in the transport of troops and stores and for post-office purposes'.[59]

Munro goes on to point out:

> Consequently, when William outlined his plans for a series of inter-connecting steamship services around India and its spheres of maritime influence, from Singapore at the end of the Straits of Malacca to Basra at the head of the Persian Gulf, Frere is said to have exclaimed that he was the man he had been looking for for years...Frere threw the full weight of his influence behind William's proposals...William and the Calcutta and Burmah Co, in short, were pushing at a door being opened by the Government of India's decision to privatise its maritime transport facilities.

In April 1862 Mackinnon was in Bombay on his way back home, and Bartle Frere had just arrived there. It was a crucially fortunate coincidence. Mackinnon reported to Captain Reddie, presumably a senior member of the Secretariat in Calcutta, giving chapter and verse on the way the negotiations had stalled but had been triumphantly concluded:

> On my arrival here I found that the papers on the proposed lines of steamers, which you had sent on to the Government of Bombay had been passed about from hand to hand in the various departments which were required to report on them, without being submitted to either of the members of the Executive Council – no ... reply had been sent to Calcutta – except – and that only quite recently – a disapproval of the line round the Coast to Bombay...
>
> The arrival of His Excellency Sir Bartle Frere has set everything in motion. I met him as Sir George Clerk was leaving and he immediately gave me an appointment for the next morning. At that interview I informed him of the delay...No time appears to have been lost for on calling on the Honble J.W. Inverarty this morning I found that at length the officiating Chief Secy had sent his report dated only yesterday the 25th April! That report is on the whole favourable to the proposals, and it will probably be sent to you on Monday.

Mackinnon then complains at some length that the Bombay Government should only just have advertised for tenders, long after a recommendation had effectively been made by Calcutta. He also noted:

---

[58] John Martineau, *The Life and Correspondence of Sir Bartle Frere,* London, 1895, Vol. 1, pp. 296-8.
[59] Munro, *Maritime Enterprise,* p. 46, citing Minute by Sir H.B.E. Frere, 6 January 1869, Confidential Print No. 72, *Abstracts,* IOLR L/P&S/19.

> It is very singular too that the advertisement is issued very much to correspond with the proposal made by the Bombay Stm Co for the Persian Gulf line which came before you from Bombay while you were arranging the various lines with me and which you put aside.
>
> I had a long interview with Sir Bartle this evening the results of which I telegraphed to my nephew and requested him to inform you. Sir Bartle will probably telegraph to you direct on Monday. His Government approve & will bear their share of the Coast line Calcutta to Bombay, the steamers to call at ports convenient to this Govt. Col. Marriott's disapproval therefore will be set aside.
>
> He approves also, as you know, of the Persian Gulf line...It would be quite satisfactory to him and I believe to his Council if the Govt of India thought fit to accept my tender without reference to the advertisement...
>
> Acting on your suggestion as to the strengthening of boats built for this line – one is in progress of about 800 tons strengthened for guns in swivels fore and aft! [60]

Frere had a far-reaching and ambitious agenda, however, sharing the view of many in Government that the Persian Gulf was of vital strategic importance to British India as the gateway to a putative overland route to the Mediterranean, through Arabia and avoiding the unreliability of Francophile Egypt. Eastwards, India's north-west frontier would be more accessible, the more so now that Karachi harbour had been built and the private sector rail-river route into the Punjab was nearly complete – a major achievement of Frere's period as Commissioner for Sind between 1851 and 1859

Now, as governor of Bombay, he had responsibility for the conduct of India's foreign policy in the Persian Gulf, and had the authority to use William Mackinnon's steamships as agents of British power in the Gulf.

Mackinnon may have triumphed in the negotiations, and still be aiming to scuttle the chances of the competition from the Bombay Steam Navigation Co., but he evidently took it seriously enough to take pre-emptive action, a tactic which was to be repeated in the 1920s by an even more aggressive management targeting the Scindia Line. In spite of having previously reported so scathingly on their ships, he now (on his way home) wrote to Peter Mackinnon:

> With regard to the offer I authorized W. Nichol & Co. [their agents in Bombay] to make for the block of the Bombay Stm. Co., I think if it is accepted we will have got our money's worth and cheaply rid of a [decided?] opposition. Their ship *Tilly* is a nice vessel, steams well & carries a good cargo. Her boilers with care will work for 3 more years. The *Scindian* also is a good ship...(If we don't get

[60] 26 April 1862, File 58, p. 138, SOAS.

> Bombay Steam you will have to charter until our own new steamers arrive in January.)[61]

The offer was turned down.

However, the Bombay Steam Navigation Company had, confusingly, more than one incarnation. According to Thomas Venn[62] , the Bombay Steam Navigation Company operating in 1862 had no connection with the company of that name which later operated coastal shipping services at least until the Second World War. The first company of this name was launched in 1845, operating between Bombay, Surat and Gogo.

> This company had a comparatively short existence; yet built up a reputation for punctuality and efficiency, and its downfall is partly attributable to the liberal lines upon which it was run. The conveniences and, for those days, comfort which were provided was beyond the requirements of the times, or the ability of the poorer classes to pay for. And in 1863, amid expressions of universal regret, it was wound up...

Was it a coincidence that this was simultaneous with their failure to secure the government mail contract? However, Munro records that in 1863 J.A. Shepherd managed the 're-constituted' Bombay Coast & River Steam Navigation Company, plying the Malabar coast in competition with BI, until 1867, when it went bankrupt in the fall-out from the failure of the Bank of Bombay. According to Venn:

> In 1869 Shepherd secured a monopoly of ferry services across Bombay harbour as Shepherd & Co, and named its agents The Bombay Steam Navigation Company. Hajee Hassum Joosub, a small bookseller, was an investor for 50% of the cost of the first ship – Rs. 40,000.

A. K. Bagchi states, in a footnote, that

> The Bombay Steam Navigation Company Limited was registered in 1906; its managing agents were Killick, Nixon & Company, but there was an Indian majority on its board in 1913...The company was formed in 1906 to purchase as a going concern, owing to the indifferent health if the owner and vendor, Hajee Ismail Hassum, the navigation business known as Shepherds Steamers. See *IIYB, 1914, pp.400-2.*[63]

---

[61] 1 May 1862, *ibid.*, p. 148.

[62] Thomas Walters Venn, *The Bombay Steam Navigation Company, J.A. Shepherd and A.W. Crawford with Digressions. T.W.V. Devennen. 1931.* Unpublished typescript. India Office Library Private Papers, MSS Eur D831.

[63] A. K Bagchi, *Private Investment in India, 1900-1939,* Cambridge 1972, p. 263, footnote 7.

The company survived independently at least into the late 1930s. An undated BI promotional leaflet states: "For nearly 30 years before the outbreak of the Great War in 1914 the BI, with the Asiatic Steam Navigation Company and the Bombay Steam Navigation Company – the latter an Indian company operating on the West coast of India – ordinarily carried between them 90% of the coastal shipping trade of India and Burma."[64]

Meanwhile, it is not known whether the decision of the Bombay Government to favour a British over an Indian firm was regarded as controversial, nor whether it was thought necessary to justify it. Munro was unable to trace a minute or a memorandum in the India Office Library papers.

Mackinnon's triumphantly successful negotiations meant that the shipping line was operating on an entirely new scale, although the Mackinnon Mackenzie agency were not to participate directly in the west coast line management until 1878, prior to which it was in the hands of other agents in Bombay, Karachi, Aden and Bushire. In 1862, following the award of the contract, the Calcutta & Burmah's name was changed to *British Indian Steam Navigation Company* and within a year BI was operating the following services:

> Calcutta-Akyab-Rangoon-Moulmein (fortnightly)
> Calcutta-Rangoon-Moulmein-Penang-Malacca-Singapore (monthly)
> Rangoon-Port Blair-Andamans (monthly)
> Bombay-Karachi (fortnightly)
> Karachi-Persian Gulf ports (eight times yearly)
> Calcutta-Bombay via coast ports (monthly)...

BI achieved a reputation for the regularity and safety of its service at a time when the Indian coast, Bay of Bengal and Persian Gulf were among the poorest charted waters in the world and each beset with its own peculiar and geographic condition. Thus Mackinnon's entrepreneurial ambitions were realised by good seamanship and well-found ships that truly went where no others had plied before. Many an eastern port was surveyed, buoyed and lighted by BI enterprise and at BI's expense.[65]

The Calcutta-Bombay contract, which was awarded in 1862, had to be financed by a special Government of India account, since neither the Post Office nor any

[64] Guildhall Ms. 27831.
[65] Kohler, *Sea Safari*, n.p.

other department of government was willing to pay for it from their own budgets. This illustrates the extent of support at senior government levels, most particularly from Frere.

Munro summarised the political situation thus:

> BI's coastal lines complemented and supported the overland transport revolution being carried out by the railways, and together the two harnessed the power of the steam engine to the service of the Indian government and the Indian economy...The notion that steamship lines and railway lines were not only tools of economic development, extending and deepening markets and bringing profits to those who funded and managed them, but also tools for the attainment of broader political and administrative objectives was something that William learned from Anglo-Indian governing circles. However, in securing the support of Sir Henry Bartle Frere, who was one of the chief proponents of the application of steam power to the exercise of state authority in foreign relations, William also transformed himself and his steamship company into active 'agents of empire'. He drew the conclusion that governments were willing to pay well for access to the new tools of empire.[66]

Mackinnon took a close interest in the design and performance of the ships and in the running of the line. In 1859 he wrote to James Hall of "new fast machinery" which he had seen under test – which "will create a revolution in steam navigation... with a vessel like that we could soon run down the threatened opposition."[67] This may well have been an early "compound" steam engine, which BI were among the first to install. As for managing the line, Calvinistic principles of frugality were visible:

> I am afraid they are going to begin too expensively. I think it is quite absurd dressing up the officers so finely, and you should rather set your faces against it. They will be getting 'too much of the gentleman' to do their work properly and they will also require higher pay. We should start economically and all our officers should be plain hardworking fellows, otherwise I fear we will ruin the prosperity of the company...As the fullest powers are delegated to you as Agents depend on it the firm will be blamed, if extravagance in any department is permitted, or if your officers are above their work. It is most absurd to attempt emulating the P&O company in any way whatever, and the officers, for their own sakes as well as for the company's, should avoid it.[68]

A few years later he wrote sternly reminding Peter Mackinnon that "private trading and letting of cabins is strictly prohibited to <u>all</u> commanders and officers without exception – and as far as in you lies see that no work is carried on on Sundays – as starting on that day from any point on the line."[69]

---

[66] Munro, *Maritime Enterprise*, p. 52.
[67] 24 May 1859, File 58, pp. 76-77, SOAS.
[68] W.M. to Peter Mackinnon, 9 May 1859, File 59, p. 274, SOAS.
[69] W.M. to Peter Mackinnon, 24 January 1861, Guildhall Ms. 27804.

Headrick summarised the shipping line's growth:

> Mackinnon extended his lines in all directions: to the Persian Gulf, to Singapore and Malacca, to the Dutch East Indies, to England, Australia and China. By 1869 his fleet numbered fifty vessels, among them the most modern steamers available. While the P&O concentrated on the long-distance passenger and mail business, the British India became the most important cargo line in the Eastern seas. As Portuguese captains had discovered four centuries earlier, there was as much profit carrying freight between the Eastern ports as to and from Europe. Thus by 1893 the British India Line had 110 ships covering twice as many miles as the Peninsula & Oriental routes.[70]

Kohler concludes with a romantic but provocative paragraph:

> There were pirates to fend off in the Gulf, inter-racial or other religious fights among deck passengers, as well as the burra sahibs in the Saloon to cater for. The little steamers of BI came to play an important role in the lives of scores of small coastal communities and to both native and European, they were the sinew and symbol of the British Empire.

If Kohler's imperial enthusiasm is naïve, the point he makes is nonetheless valid. BI was the product and the beneficiary of Empire, and of the economic activity which Empire generated over a wide geographical area, but BI was also its servant, carrying trade cargoes, mail and passengers. Although, as we shall shortly see, it came to be demonised by Indian nationalists, it was gratefully regarded by most of its European users, and by very many Indian traders and passengers as well.

"The destruction of Indian shipping"

The dominance of Indian waters by British-built ships and British-owned shipping lines, and by BI and P&O in particular, was a central complaint of the Indian nationalists, and came to be cited as yet more evidence of the malignant policies of the Raj – "The cruel and calculated destruction of Indian shipping and shipbuilding – as of many other industries – forms a sordid chapter of the 200-year-old British connection with India"[71]. Gandhi himself expressed his outrage

[70] Headrick, *Tools of Empire*, p. 173.
[71] N.G. Jog, *Saga of Scindia: Struggle for the revival of Indian shipping and shipbuilding (1919-1969)*, Bombay, 1969, p. 9.

in 1928: "The tragic history of the national village industry of cotton manufacture in India is also the history of the ruin of Indian shipping. The rise of Lancashire on the ruin of the chief industry of India almost required the destruction of Indian shipping."[72] Although the logic of ascribing to the Lancashire cotton industry an intention to destroy Indian shipping is not clear, there is no doubt that British policies and commercial practice were, to say the least, extremely unhelpful to indigenous Indian maritime interests.

The conflation of the separate issues of shipbuilding and mercantile shipping operations adds to the stridency of complaint but does not illuminate causes. The restrictive British legislation of the early nineteenth century certainly damaged the Bombay shipbuilding industry, and obstructed the operation of Indian-owned ships, but it does not seem that it can have affected the coasting trade on either side of the sub-continent. As far as construction was concerned, there was severe competition in the early nineteenth century from North America, where there was an abundance of cheap timber, and although Indian teak was superior for long life, its price was uncompetitive in the short term, as was that of English oak.

It may be disingenuous for nationalist writers to attempt to dismiss the impact on worldwide shipbuilding of the introduction of steam power and then of metal hulls. The heart of marine steam technology was in Scotland, where natural resources and the existence of relatively sophisticated land-based steam applications in the textile industry could be easily married to a thriving wooden shipbuilding tradition. Ships using steam power as an auxiliary to sails were already in use in the 1830s but were so inefficient that "their services were called for only where speed mattered more than cost: transporting the mails or carrying wealthy passengers across the Atlantic...By the 1850s steam-powered freighters were used in the Mediterranean and across the Atlantic, but only for expensive cargoes like cotton or perishables like fruit...Over thirty years elapsed from the launching of the first iron steamer, the *Aaron Manby,* in 1821 until the British Post

[72] cited by Jog, *ibid.*, p. 8.

Office and Lloyds of London accepted iron ships as equal to wood in the mid-1850s."[73]

Iron hulls demanded economically close access to smelting and forging, and to the iron and coal supplies that required. The Clyde was well-favoured, as were the Tyne and Tees.

In her meticulously researched book on Bombay shipping, Anne Bulley records that

> in spite of the generations of talented craftsmen that had been employed in building ships, the much admired teak sailing ships, India could not compete in the building of iron hulls. Industrialisation had continued apace in England, raw materials there were cheaper while Indian shipbuilders had no easy access to the materials of construction which had to be sent from England.[74]

Even Satpal Sangwan, whose article argues against technological determinism in relation to the decline of Indian shipbuilding, writes:

> With the coming of steam, came also the replacement of wood by much stronger, light and spacious ships built of iron. In the process, the competitive advantage which Indian dockyards had enjoyed now passed to their British counterparts. The [East India] Company could ill-afford to build ships in India with iron imported from England. In this context, Daniel Headrick's claim, 'what destroyed Indian shipbuilding was British iron', is not entirely wrong.[75]

The impact on shipyards in the south and west of England was disastrous, certainly as disastrous as the impact on Bombay. Indeed the impact was global. Headrick summarises the effect:

> The shift to iron ships rescued Britain's dominance. From one quarter of the world's tonnage in 1840, Britain's share rose to 42.7% in 1850 and remained between forty and fifty percent until World War One. Between 1890 and 1914, half the world's sea borne trade was carried in British-owned vessels, and Britain built two thirds of the world's new ships.[76]

There would have been any number of shipbuilders round the world who would have had little sympathy with India's claim to have been singled out for

[73] Daniel R.Headrick, *The Tentacles of Progress: Technology Transfer in the Age of Imperialism 1850-1940*, New York, 1995, p. 24.
[74] Anne Bulley, *The Bombay Country Ships 1790-1833*, Richmond, Surrey, 2000. p. 247, citing Frank Broeze, 'Maritime India in the time of the Raj', *Modern Asian Studies*,18, 1984.
[75] Satpal Sangwan, 'The Sinking Ships: Colonial Policy and the Decline of Indian Shipping 1735-1835', in Roy Macleod and Deepak Kumar (Eds.),*Technology and the Raj: Western Technology and Technical Transfers to India 1700-1947*, New Delhi, 1995, p. 144.
[76] Headrick, *The Tools of Empire*, p. 175.

destructive treatment. The shipbuilding business is merciless, as is the shipping business, which must find the money to build or re-equip its ships to compete as technical inventiveness creates inexorable overnight obsolescence – from the compound steam engine to iron hull to steel to turbines to oil power to container ships, which themselves can carry the cargo of fifteen conventional ships. However, these uncomfortable facts do not necessarily explain why Indian shipping – the operation of Indian-owned ships – declined so dramatically. Anne Bulley states that "By 1853 'there was almost no country service left', almost all the old Bombay vessels having been burnt, wrecked or sold in England. Between 1841 and,1851 seven ships had been burnt in Calcutta and eight in Bombay by 'lascar incendiaries'…[77]

Jog quotes figures for Indo-British trade showing 34,286 Indian vessels 'entered and cleared' [presumably at British ports] in 1857, carrying 33% of the tonnage as against only 2,302 in 1899-1900, carrying less than 2% of the tonnage. If these figures are correct (Jog does not attribute them) it seems that Indian ship owners simply failed to match the combined competition of steam power, and the opening of the Suez canal, for which steam was essential.

It was open to them to buy new ships in Britain or second-hand ships anywhere in the world, and although capital costs were higher than for wooden sailing ships, investment money was certainly available from Parsi or Gujarati sources. It seems that the Bombay Steam Navigation Company would have done just this, but they operated in the coasting trade, for which Jog gives no figures. It is true that they lost out to BI and did not gain Government mail subsidies, but investment in ships did not entirely depend on this: there were many opportunities for unsubsidised ships to operate outside the disciplines of scheduled services and to pick up casual cargo. The 1857 traffic will all have been of this kind, with P&O the only scheduled carrier.

One answer lies in the nature of the competition and the brutal and overt pursuit of monopoly by British shipowners, notably, as far as the Eastern trade was concerned, by P&O and BI. Mercantile shipping has always been a ruthlessly

[77] Bulley, *Bombay Country Ships*, p. 248, citing Asiya Siddiqi, 'The Business World of Jamsetjee Jeejeebhoy' *Indian Economic and Social History Review*, Vol. XIX 3 & 4, p. 322, in turn citing Jamsetjee Cursetjee to Mr Pynton, 19th July 1851, JJL Vol. 366, p.313.

competitive business, just as much when individual ship captains, in business for themselves, were competing with each other – using bribery and even sabotage to secure cargo, and racing at considerable risk to reach a market first – as when the large ship-owning firms, with huge investments and fixed costs at 75% to defend, regarded the elimination of competitors by purchase or by predatory pricing as legitimate tactics. The first rate-fixing "Calcutta Conference" was in 1875, and shortly afterwards the Conference adopted what was known as the deferred rebate system – a simple form of loyalty reward which outraged nationalist writers and which was indeed effective as a barrier to entry by new ship operators.

William Mackinnon's own attitude to competition was, as we have seen in his dealings with the Bombay S. N. Co., aggressive. Earlier that year he wrote about another threat to the Eastern route:

> I trust Apcar & Co [an Armenian name] will not do so foolish a thing as to put on a direct steamer to Rangoon. If they do you must first run against them direct too, and put on our last ship...They are building for the Mauritius trade and if I thought they had any intention of running against us, I would endeavour to get up a successful opposition to them on the Mauritius line: As our contract is fast running out you should try ingratiating yourself with the Government folk and if possible make sure of a renewal. Perhaps Apcar's may intend to get their hand in...[78]

In addition, the displacement of small indigenous country boats without scruple was dismissively foreseen in letter to James Hall from John Halliday, a founding Calcutta & Burmah shareholder:

> Chittagong. 27th August 1864.
>
> ...I arrived here this morning and have just been round with Gray having a look at the place. It is a miserable dead and alive tumbledown jungly hole and looks as if a shower of rain would make it commit suicide...If there is one native vessel I suppose there is a hundred lying up here all of which will doubtless get cargo to Akyab and other places. I don't see why with an energetic agency the steamers should not get a good deal of the cargo those Pariahs will take...[79]

The inflexibility of a scheduled shipping line's costs meant that the intrusion of new capacity might be ruinous if there was not enough traffic, and an incumbent would readily cut the throat of any rash, upstart competitor, not just in India. But the situation in India was indeed brutal, if Jog's unattributed figures are correct: "...most of the 102 Indian navigation companies which were registered

[78] W.M. to Peter Mackinnon, 1 May 1861, Guildhall Ms. 27804.
[79] Guildhall Ms. 27804.

between 1860 and 1925…had to go into liquidation one after another"[80].
Although P&O was the villain rather than BI, the case of Tata's defeat is instructive. In 1894, in an attempt to secure lower freight rates for cotton yarn exports to Japan, Jamsetji Tata set up a joint venture with a Japanese shipping company, Nippon Yusen Kaisha, bought two steamers, and undercut P&O's rate by nearly 40%. P&O responded by cutting rates to giveaway levels for shippers signing up to an exclusive contract. Tata appealed for help to the Government without success and was forced to close the shipping business.

In 1906, the Swadeshi Shipping Company of Tutincorin, inspired by political as well as commercial aims, as the name implied, was formed by Chidambaram Pillai to establish a service between Tutin corin, Colombo, Bombay and Calcutta, with the additional agenda of training Indian, Ceylonese and other Asiatic seamen. Shares were to be held "exclusively by the Indians, Ceylonese and other nationals of the East" and the house flag bore the provocative legend *Vande Matara.* Jog claims that "it was made difficult for the company to purchase or even to charter ships to start its business" (although he does not suggest how this was done) and only two steamers could be acquired, in Ceylon. BI shortly met this new competitor by exerting its influence to secure priority sailings from port authorities, which had a crippling effect on Swadeshi passengers and freight. Government servants were not permitted to travel with them. However, it appears it was politics rather than commercial pressure that brought the company down: Chidambaram Pillai was arrested and sent to prison – he was a follower of Lokamanya Tilak.

Another casualty cited by Jog was the Bengal Steamship Company, established in 1907 by Jyotindranath Tagore, carrying passengers and cargo between Calcutta, Rangoon, Chittagong and Akyab reasonably successfully for three years until it was forced out of business by savage rate-cutting by BI, and sold its steamers to them.

Finally the Scindia Steam Navigation Company braved the battle in 1919 and survived, declining an offer from BI to buy the company and eventually securing some elements of protection from Government.[81]

---

[80] Jog, *Saga of Scindia,* p. 13.
[81] All this information is taken from Jog, *Saga of Scindia,* pp. 14-16.

William Mackinnon's personal rôle in tactics of this kind began to decline after 1872, when the mail contract between Aden, Zanzibar and Natal was secured and his interest in Africa was ignited. Soon afterwards, in 1874, the 22-year-old James Lyle Mackay joined Mackinnon Mackenzie in Calcutta as an assistant in the shipping department, and four years later stepped in to run the Mackinnon Mackenzie agency in Bombay after Nichol & Co. were brought down by the failure of the City of Glasgow Bank – a disaster with far-reaching ramifications, including the effective demolition of Mackinnon's financial reputation in Glasgow, for he had been a director and was sued (unsuccessfully) for giving bad investment advice.

Mackay had a meteoric career, eventually achieving an earldom (the Earl of Inchcape) and a reputation for being a "hard man" which even his obsequious biographer could not conceal.[82] But he did not share Mackinnon's piety, preferring snipe-shooting to church on a Sunday, and being caught out when Mackinnon arrived for a visit by announcing that they would go to church "as usual" but discovering that the church had been shut for repairs for some months. However, beyond such anecdotes there is no archive of Mackay's papers, which he deliberately had destroyed. From the public history it is clear that, very like Mackinnon, he arrived in Calcutta with no skills beyond native shrewdness and relentless determination, and built on those qualities with ruthless industry. He came to hold powerful governmental and quasi-governmental positions and in 1914 master-minded the merger of BI with P&O, "becoming the head of the largest shipping combine in the world, dominating the main passenger and cargo lines from the UK through the Mediterranean to the East and Australia".[83]

---

[82] Hector Bolitho, *James Lyle Mackay, first Earl of Inchcape*, London, 1936.

[83] Stephanie Jones, *Two Centuries of Overseas Trading: the Origins and Growth of the Inchcape Group*, Basingstoke, 1986, p. 56.

Mackinnon Mackenzie & Co. and MacNeill & Co.: their complementary managing agency businesses.

Shipping dominated Mackinnon Mackenzie's activities, but in the earlier period not to the exclusion of other interests. In time, however, William Mackinnon came to pursue a policy of a deliberate division of these two managing agencies, in each of which he was the controlling partner, into specialist fields, Mackinnon Mackenzie concentrating on shipping and MacNeill on other, more conventional, managing agency activities – tea, coal, jute and, less conventionally, inland waterway transport. The activities of MacNeill must be regarded as integral to William Mackinnon's managing agency business in India.

Duncan MacNeill (b. 1837) was the son of William's widowed sister Elizabeth. William arranged a position for him in his friend and colleague David Begg's firm in Calcutta – Begg, Dunlop & Co – a managing agency with large interests in tea. In time he became a partner there. William's letters show that the possibility was mooted of a merger between Begg, Dunlop and Mackinnon Mackenzie after Begg's retirement, but in the event this did not happen, being opposed by Begg, Dunlop's other partners. Duncan MacNeill left Begg, Dunlop in 1866 and returned to London, where he started a tea broking business, Duncan MacNeill & Co., in partnership with another of William's nephews, John Mackinnon, the younger brother of Peter, who was a partner in Mackinnon Mackenzie.

The two cousins started MacNeill & Co. in Calcutta in 1872 with an open line of credit from Mackinnon Mackenzie of Rs. 5 lakhs [nearly £2 million at current values]. Duncan MacNeill had already taken from Begg, Dunlop the managing agency contracts for the tea gardens in which he or William had a controlling interest, and in 1873 the firm took on the managing agency for the re-incorporated Rivers Steam Navigation Company.

This had been set up originally in 1862 by Captain J.H. Williamson (with David Begg as one of the principal shareholders), to compete on the Brahmaputra with the long-established India General Steam Navigation Company, and when he left in 1865 to found Williamson, Magor & Co. (to become the leading tea agency house), Begg, Dunlop were appointed as managing agents of Rivers Steam.[84] However, the company went into liquidation after Begg's death in 1868, and the Mackinnon group bought it from its original owners (who included John Pender), putting up more than 50% of its initial capital. There was, of course, an immediate benefit to Rivers Steam from the tied freight business of the tea gardens controlled by the two managing agencies, a classic example of "playing both ends against the middle".

In 1882 Rivers Steam were awarded the contract for carrying the Assam mail, which triggered significant growth. By 1893 the capital had more than doubled, to £277,415, and they had a fleet of 46 steamers and tugs and 78 flats. It accounted for more than a third of MacNeill's annual fee income from managed concerns.

MacNeill's also took from Begg, Dunlop the agency for the Equitable Coal Company, which supplied sea-going and river steamships as well as jute mills, and again provided it with a lucrative captive market – BI was the largest coal buyer in Calcutta.

Although Mackinnon Mackenzie already had an interest in jute, through the Serampore mill started in 1866 with 1,000 looms, MacNeill's were encouraged to enter the industry as well, managing the equally large Ganges Manufacturing Co. Ltd. (975 looms), set up in 1875, for which the Mackinnon and Hall families put up 40% of the capital.

Duncan MacNeill's early specialisation in tea at Begg, Dunlop, together with substantial new investments floated in London, helped to make the firm a leading player in the industry, ranking fourth, with 14,300 acres under tea in the Indian Tea Association report for 1886.[85] Mackinnon Mackenzie's tea business had been much less successful. William Mackinnon's friend William Howarth had experimented with tea on his coffee estate in Chota Nagpur, and Mackinnon agreed to support him by floating the Ramgurgh Co. Ltd. in Calcutta, with Mackinnon Mackenzie as the managing agents. But the rainfall was too variable, and the business died. William also got taken in when he floated the Western

[84] Sir Percival Griffiths, *A History of the Joint Steamer Companies*, London, 1979, p. 27.
[85] Cited by R.K. Renford, *The Non-Official British in India to 1920*, Delhi, 1987, p. 59.

Cachar company in Glasgow with three estates which turned out to be typical "tea mania" deceptions, planted with less than half the claimed acreage. By 1886, Mackinnon Mackenzie ranked only eleventh out of twelve members, with 4,400 acres under tea.

In pursuit of the specialisation policy, Mackinnon Mackenzie withdrew from tea garden investment and management altogether in 1889, when they sold the Kondoli Tea Company, which then embraced all their tea interests, to the Salonah Tea Company, which was managed by MacNeill's.

> Such an arrangement was very advantageous within the politics of the tea trade – MacNeill & Co represented the Mackinnon group within the planters' organisation, the Indian Tea Association, while Mackinnon Mackenzie & Co represented it within the shipping conference that determined the costs and terms of exporting tea from Calcutta. However, the tactic of working on both sides of the production/distribution divide depended upon ties of family sentiment to ensure that Mackinnon Mackenzie & Co, as shipping agents, received most of the consignments of tea cargoes made by MacNeill & Co as shippers...[86]

Mackinnon Mackenzie made no further investments outside shipping from then onwards.

[86] Munro, *Maritime Enterprise*, p. 322.

Afterword

For the sake of completeness it should be recorded that "on 22 June 1893, Sir William Mackinnon, Baronet, of Balinakill and Loup, and Companion of the Indian Empire, died in his personal suite in the Burlington Hotel, just off Bond Street in London's West End..."[87] at the age of 70, of a lung infection contracted as a young man, leaving no children. He had never acquired a London town house.

According to Blake he left £750,000 [£43 million at current values]. The estates of Balinakill and Loup were in Kintyre, and in the glen near the former he created the model village of Clachan. He had also bought the lands of Strathaird in Skye, the traditional home of Clan Mackinnon.[88]

Mackay, the Earl of Inchcape, died in 1932 in his eightieth year, fittingly on board his huge yacht in Monte Carlo harbour, leaving a son to take over. Today the once mighty Inchcape Group consists only of Mann Egerton, the motor business.

---

[87] Munro, *Maritime Enterprise*, p. 1.
[88] George Blake, *BI Centenary 1856-1956*, London, 1956, p. 157.

BIRD & CO

Also from relatively humble beginnings, with no specialist skills, a major business was built.

Established in a modest way in 1864, Bird & Co grew to be one of the largest Managing Agencies in Calcutta. The company history[1] states that by 1917 the firm and the companies under management together had a capital valued at about £20,000,000[2], a revenue of £3,000,000[3] and employed directly and indirectly well over 100,000 people; as well as in Calcutta, it had offices in Bombay, Rangoon, Cawnpore and numerous agencies, and also had a presence in London, New York and East Africa. Birds' early specialisation in labour contracting was not typical, but it is an important example of a successful British Managing Agency, and the existence of an archive enables an enquiry into the possible reasons for its success.

The Bird family

The brothers Sam and Paul Bird, the firm's founders, do not match the stereotype of stern Scottish Presbyterianism. Emile Moreau, who was their nephew, set out the family background.

Sam and Paul Bird, the founders of the company, were members of an old Suffolk yeoman family who settled in Earl Stonham in 1638 and, as freeholders, came to own "Deerbolts Hall" which remained in the family for 188 years until 1826.

Moreau's research showed it was not until the 19th century that anyone left

[1] M.S. Jacomb-Hood, *A History of Bird & Co. 1864-1929*, Calcutta, 1929, pp. 23/24.
[2] £557m at current values.
[3] £83m at current values.

home. James Bird, the father of Sam and Paul Bird, was born at "Deerbolts Hall" in 1788, but was the first to break new ground and make a name beyond the village. He was known for fifty years as the "Suffolk poet", and several of his plays were produced in London; breaking away from Earl Stonham, he became a miller at Yoxford, another Suffolk village, but this one on the main coaching road to London, which he often visited to see his publisher and produce his plays. At Yoxford, Sam, his third son, was born in 1822 and Paul, his youngest, was born in 1835.

Sam and Paul Bird broke away and went to sea in their teens, their eldest brother went to London and became a noted doctor there, but most of the other boys took to the sea, and spread themselves all over the world, leading adventurous lives, some in the gold rush to California, and one to Australia.

Sam and Paul Bird both became skippers of clipper sailing ships, and Paul was at one time harbour-master at Shanghai.

Adventure, and doubtless the hope of finding a fortune in foreign parts, seems to have been their simple motivation, rather than any higher moral purpose. Although today the occupation of captain of a clipper ship seems rare and even glamorous, the nineteenth century reality was more commonplace, with thousands of ships in commission round the world and tens of thousands of ships' officers employed. Nor did the occupation require expertise beyond practical seamanship and navigation, self-reliance and a facility for resolute command.

Later entrants to the firm were even less qualified. Emile Moreau arrived in Calcutta to join the firm at the age of 17, and Ernest Cable joined at the age of 21, after starting his first job in Calcutta at the age of 17, having been to school in India since he was 11.

The first business enterprise – labour contracting

Ernest Cable wrote:

> It is not known to me how [Sam Bird] found himself in Calcutta, but he was a freight superintendent of the [India General Steam Navigation Co.] when my mother and father reached India in 1858; they all lived together, and he used to go round the house every morning with my mother, chastising any recalcitrant servant with a heavy stick.; he was later appointed agent to the I.G.S.N. Co. at Allahabad...[4]

As part of the maritime community in Calcutta, a 36-year-old skipper perhaps waiting for a new command, Sam Bird would naturally have known kindred spirits at the I.G.S.N. Co., whose steamer service to Allahabad (where it terminated in the dry season) was already carrying materials for the construction of the East Indian Railway, which had re-started after the Indian Mutiny. Doubtless the company relied on Sam Bird's initiative to compensate for his lack of local experience.

There are some inconsistencies in the cited dates for the opening of the E.I.R. line. Hena Mukherjee, in her carefully documented book, wrote:

> In the middle of the year 1865, along with the completion of the Jumna bridge at Allahabad, the entire stretch of the main line of the E.I.R. from Howrah to the left bank of the Jumna at Delhi – more than 1,000 miles – was open to the public.[5]

Alfred Brame, writing in 1900 towards the end of his career with the I.S.G.N. Co. wrote:

> The railway reached Allahabad in 1864, and passengers and choice freight were naturally attracted to the quicker route. About this time, too, the great irrigation system of the north-west provinces was commenced... The larger steamers could no longer reach Allahabad in the dry season, and this entailed transhipment into smaller craft...[6]

However, it seems clear that although the railway bridge over the Jumna river was not yet completed in 1864, there must already have been a rail service, at least as far as Allahabad, since in order to be able to offer a through freight service the E.I.R. needed to provide a pontoon crossing, with freight manhandled

[4] Jacomb-Hood, *History, Lord Cable's Reminiscences*, p. 3.
[5] Hena Mukherjee, *The Early History of the East Indian Railway, 1845-1879*. Calcutta, 1994, p. 147.
[6] Alfred Brame, *The India General Steam Navigation Company Limited*, London, 1900,

for loading and unloading. Sam Bird identified this requirement as an opportunity to bid for a contract to provide the labour for this service, and may also have recognised that the days of the I.G.S.N. river service (and his agency) must be numbered.[7]

The circumstances in which Sam Bird negotiated the Jumna labour contract with the E.I.R. are extraordinary, and on the face of it appear to be a barefaced example of reciprocal European favouritism and of the deliberate relegation of indigenous interests.

> An official meeting of the Board of Agency of the East Indian Railway was held in Calcutta, on Thursday, 1st December, 1864. Mr. Edward Palmer, the agent, Mr. J.C. Batchelor, the traffic manager and Mr. Arthur Lovelock, the secretary, were present, at which the following was passed:
>
> > *Resolution No. 307.*
> > Resolved – that the contract entered into between the traffic manager and Baboo Ashutosh Bhattacharjee, for loading and unloading wagons at the Jumna be officially recorded. The rate for loading and unloading to be As. 4 per wagon, subject to the conditions detailed in the stamped agreement.
>
> At a meeting held a fortnight later, the following minute was recorded:
>
> > *Loading Wagons at the Jumna*
> > With reference to Resolution No. 307, the traffic manager informed the meeting that the contract entered into between himself and Baboo A. Bhattacharjee for loading and unloading wagons at the Jumna at As. 4 [£1 at current values] per wagon, was fixed at too low a rate and on his recent visit to the Jumna he had cancelled it as he found it would not work.
> > *Resolution No. 357.*
> > Resolved – that sanction be recorded to a fresh agreement made between the traffic manager and Captain Bird to do the same work at As. 8 [£2 at current values] per wagon.[8]

It is, of course, possible that Batchelor indeed found that Bhattacharjee was failing to fulfil the contract, having underquoted and being unable to recruit and provide enough labour at the rates he could afford. There was a general shortage of labour resulting from the demand for construction workers, although the completion of that section of the track must have released some numbers. It is

---

p. 79. Brame's history seems more reliable than Percival Griffiths, who drew on it extensively but not always accurately. Brame was writing from personal experience since at least 1880.

[7] "The end came in 1874, when the India General finally withdrew their steamers from both Ganges and Gogra, closed their agencies, and abandoned the scene of their earliest attempts in search of more profitable adventures to the eastward. The *Mirzapur* was the last steamer to ply on the Ganges. She left Allahabad in November 1874, and closed each agency as she passed on her downward trip. The Government withdrew their steamers from the Ganges at the same time." Brame, *The India General*, p 90.

[8] Jacomb-Hood, *History*, p. 81.

also possible, as Jacomb-Hood speculates, that Bhattacharjee was retained as a sub-contractor, perhaps at an enhanced rate. In any case, the extraordinary acceptance of the 100% premium for Sam Bird's European supervision, even for a petty contract, must have been subject to scrutiny by the Directors and eventually by Government.

It is clear from the detailed research recorded in Ian J. Kerr's definitive book[9] that the East Indian Railway, in common with other railway companies, favoured the employment of European contractors as supervisory intermediaries controlling indigenous sub-contractors in the work of construction. Although it was not unknown for European contractors to fail, the rate of failure among Indian contractors was far higher, a tendency ascribed by Kerr largely to inadequate capital funding but also to weakness in administration. Kerr cites examples of Indian contractors who appear to have been liked and welcomed by their clients, and does not suggest other than pragmatic reasons for preferring Europeans.

Kerr also describes the daunting responsibilities accepted and tasks faced by contractors and sub-contractors in recruiting , retaining, deploying, and supervising labour, and not least in financing and paying wages.

Jacomb-Hood wrote a spirited case for European contractors:

> ...in the employment of labour contractors on a large scale, agents [of public carriers] saw the solution of the problem of "handling"; they perceived that. given a thoroughly reliable contractor, one employing European assistants, and of sufficient status in the financial and mercantile circles, whose appointment would be finally sanctioned by their own boards of directors, they would be free of all responsibility and in possession of a valuable scapegoat in times of stress, to be utilised as, and when, required...the following views expressed by the Director-General of Railways in his report (1887-88) were those generally accepted.
>
>> "The 'handling' contracts [for the Eastern Bengal Railway] let to Messrs. Bird & Co. were satisfactorily carried out, but the rates were in excess of those given to the petty contractors who worked previously. At the same time the work was carried out efficiently and the customary delays in the busy season were avoided.
>>
>> On the whole it is considered that the certainty of getting the 'handling' done at all times, without delay to vessels or rolling stock, more than compensated for the enhanced rates, and the contract will continue to be given to Messrs. Bird & Co."[10]

[9] Ian J. Kerr, *Building the Railways of the Raj 1850-1900*, Delhi, 1995.
[10] Jacomb-Hood, *History*, pp. 145-6.

Perhaps the famous "mystic bond" was not mysterious at all: prosaically, Europeans found other Europeans more reliable.

But referring to the original Jumna contract the author of the *History* allows himself the comment that: "subsequent events shew that Mr. Batchelor was a very good friend to Capt. Sam Bird, and for the following ten to fifteen years joined with the Birds and Capt. Scott, the manager of the India [General] Steam Navigation Co., Ltd, in many of their projects, both speculative and otherwise."

As a parenthetical illustration of the "spirit of enterprise" which informed the times, Captain G.J. Scott's career is interesting.

> On the departure of Captain Stace from the secretaryship [of the I.G.S.N.] in 1860, his place was taken by Captain Salmon, who had but a short reign, as he was drowned in the cyclone of 1864. (Captain Salmon had been in bad health, and took a trip to Burmah. The *Cheduba*, in which vessel he was travelling, was lost in the cyclone of October 5th.) To him succeeded Captain G.J. Scott (Captain Scott had joined the company in 1853, and was at this time captain of the *Lahore*.) and we now for the first time meet a man who for twenty-five years exercised a powerful interest over the fortunes of the company, and whose energy and ability pulled the concern through serious periods of depression. When appointing Captain Scott, the remuneration of the secretary was passed under review, and it was decided that the emoluments of the post should never fall below Rs. 1,000 per month, and on the other hand the gross income derived from all sources should not go beyond Rs. 2,000 per month [£7.700 at current values].[11]

Described by Percival Griffiths[12] as "a very able man", and one with "great energy and a spirit of enterprise", he was instrumental in starting a steamer service on the river Irrawadi in Burma in 1871 which was disastrously unprofitable (except for the captains, who did very well out of private trade). The I.G.S.N. Co. withdrew in 1874, having incurred a loss of over Rs. 11,00,000 [£4 million at current values.]

Although the management of the I.G.S.N. Co. was handed over to Schoene, Kilburn as Managing Agents in 1873, "the managing agents busied themselves principally with accounts and finance, leaving the practical working of the fleet in the hands of Captain Scott, the secretary."[13] In 1878 steamer services run by various individuals to Chandballi, in Orissa, had been discontinued. Since this

[11] Brame, *The India General*, p.69. The pay was fixed at Rs. 500 a month and a 2% commission on the nett earnings. The review was triggered by the very high commissions earned by steamer captains on government contracts during the period of the Indian Mutiny, so Scott was probably already well-off.
[12] Sir Percival Griffiths, *A History of the Joint Steamer Companies*, London, 1979.
[13] Brame, *The India General*, p. 99.

was an important stage on the way to the great Jagannath temple at Puri which was visited annually by vast numbers of pilgrims,

> Scott seized the opportunity of establishing his own sea-going coastal service on that route. In the 19th century it was not altogether uncommon for an employee of a company to have outside ventures, but the IG shareholders disapproved of Scott's action. The matter was settled by the purchase of Scott's steamers by the IG...[in 1881, for Rs. 2,80,000 - £1 million at current values - according to Brame.][14]

In his "Reminiscences" Ernest Cable referred to the close relationship between Scott and Sam Bird, stating that when the Bird brothers moved to Calcutta in 1870 "the Birds became very thick with Capt. Scott, secretary of the I.G.S.N. Co., and many a thousand was made by 'bulling' and 'bearing' I.G. shares by the trio in the know."[15] But Scott will have had no direct influence on the 1864 E.I.R. contract, even if his friendship with Bird may have started earlier than Cable knew. However, it seems that Birds were already handling I.G.S.N. Co. contracts before Emile Moreau joined in 1873.[16]

Notwithstanding the dubious circumstances of its award, Sam Bird must have performed the Jumna contract well. Since the contract was necessarily short-lived, until the bridge was finished, Bird needed to extend the scope of his work for the E.I.R., and he was wholly successful in doing so. In 1867 he made an exclusive agreement with the E.I.R. (Mr Batchelor again) and the Indian Branch Railway (to Oudh) for the cartage of goods between their two separate railway stations at Cawnpore, which allowed both railway companies to offer through booking of freight in each direction. According to Jacomb-Hood, Batchelor then took the initiative in proposing a new scheme to contract out liability for theft along with the responsibility for handling. In July 1868 Bird & Co.'s tenders for handling on these terms at Benares, Mirzapore, Allahabad, Cawnpore, Agra, Hattras, Allyghur, Khoorjah and Delhi were accepted, and at the same time their tenders for labour supply at Howrah, Calcutta, Burdwan and Chandanagore were also accepted. In 1869 Bhaugulpore, Sahibgunge, Etawah, Colgong and Suma were added, and another thirteen stations were added in 1870.

[14] Griffiths, *Joint Steamer Companies*, p. 39.

[15] Jacomb-Hood, *History, Lord Cable's Reminiscences*, p. 3.

Sam Bird needed support to achieve this. According to Emile Moreau he induced his younger brother Paul to join him at Allahabad. and they then transferred to Calcutta, bringing their nephew-in-law, Henry Kinnaird York, into the partnership and leaving him in charge of the Allahabad office.

At first, they were solely labour contractors for the East Indian Railway, one development of which was to start a "bullock train" to serve Darjeeling, long before the Eastern Bengal State Railway went in that direction, or the Darjeeling Himalayan Railway was dreamt of. This primitive service survived the opening of The Eastern Bengal State Railway or North Bengal State Railway, as the narrow gauge line was then called, to Siliguri, and competed successfully with it for years.

In 1872 Birds started working with the Eastern Bengal State Railway. In the early days the contract assignment was small, unprofitable and unstable, and according to Ernest Cable was lost "and then an Armenian named Vertannes had it, and later, I think, a couple of natives had it." The contract was regained on a larger scale basis in 1886, and was retained until 1922.

In 1873 the Government of India decided that the risk of famine in north-west Bengal and Bihar was serious enough to require supplies of rice to be imported from Burma, and purchased 40,000 tons. Birds were successful in tendering for landing this amount and for delivering to the railhead.

The 17-year-old Emile Moreau had just arrived in the Calcutta office, and recalled:

> ... it fell to my lot to open a letter from the Government of India, enquiring if Messrs. Bird & Co. would be prepared to land 400,000 tons or more of rice at the same rate as the Firm had contracted to land 40,000 tons, and the writer, at once, took this letter to Sam Bird, who read it, locked it in his office table, and bound me to silence.
>
> Within an hour Sam Bird had the manager of The Calcutta Landing & Shipping Co.[17] in the office, and contracted with him to take up the whole of his fleet for 12 months.

---

[16] Jacomb-Hood, *History*, p. 105.

[17] According to Jacomb-Hood, this was the ubiquitous Captain Scott, although he was still secretary of the I.G.S.N. Co. which was not apparently connected. Brame completed Scott's story: "Captain Scott was in 1881 compelled by ill-health to give up continuous work in India. It was not intended that he should sever his connection with the company, so he was appointed chief superintendent in England, with the prospect of a yearly cold weather visit to India...[he] finally retired from all India General work in

> He then sent for the leading firm of brokers...gave him *carte blanche* to buy up The Calcutta Landing & Shipping Co. shares, and within 48 hours had bought nearly half its capital...
>
> Sam Bird, having cornered the floating transport of the Port, was then able to conclude a new contract with the Government, at a considerably enhanced rate, to land 400,000 tons or any greater quantity that might be imported...Thus Messrs. Bird & Co, in the year 1874, made from this one contract, and all the extra "handling" it gave them on the railways, more than they had made in their whole existence up to then.[18]

The *History*, working from documents, dates the original contract (for 40,000 tons) as 15 November 1873, and the advice from Government of the increased requirement as February 1874. The new contract was dated 24 March 1874, and was for a rate 50% higher than the first contract. The board minute of The Calcutta Loading & Shipping Co. approving the contract with Birds was dated 9 February 1874.

Sam Bird's astute and decisive exploitation of the opportunity presented by disaster was well-rewarded, and the amount of the fortune amassed developed mythic proportions in Ernest Cable's and Emile Moreau's recollections. More coolly, Jacomb-Hood points out in a footnote that Sir George Campbell (the Lieutenant-Governor of Bengal at the time) estimated the total quantity of rice imported as "nearly 400,000 tons", which at the rate agreed (As 1.5 per maund) would suggest a bill to Government of less than Rs. 10 lakhs, from which a 20% margin would produce Rs 2 lakhs (£710,000 at current values, arguably funded by the Indian land revenue).

Birds lost the E.I.R. contract to Burn & Co. in 1875, apparently because Sam Bird misjudged the strength of Birds' position, refused to lower his rates, failed to win over the senior management in London, and, perhaps most significantly, was no longer dealing with Mr Batchelor. A passing remark by Ernest Cable may also have some significance: "George Rae, a district traffic superintendent of the E.I.R., who had worked up the rates, etc., for them. was taken over by Burns." This was a major setback for the firm, since the E.I.R. contract provided 75% of its revenue. Emile Moreau, who had been managing the work, left Birds after a quarrel with Paul Bird and joined Burn & Co., who had an established

---

1892. (Captain Scott is still living [1900] and has lost none of his enterprise and activity." Brame, *The India General*, p. 145.

[18] Jacomb-Hood, *History, Emile Moreau's Recollections*, pp. 34-35

connection with the E.I.R. as successful construction contractors. Birds re-pitched for the contract when it was put out for tender every three years, but were not successful until 1892, after Paul Bird (at Ernest Cable's urging) had persuaded Emile Moreau to come back in 1888 (with the promise of a partnership), bringing with him unrivalled special knowledge – "I knew all there was to be known of the work to be done in connection with this contract, from Howrah to Delhi, as I had spent eleven years of my life on it, and knew every man on the line from the agent to the station-masters."[19]

On his return, Moreau took bold action to re-organise the sub-contracting system for the Eastern Bengal State Railway handling contract. The long-established position he inherited was one where all the labour was recruited and managed by two large Indian sub-contractors, irrespective of which European firm held the labour contract. The railway management was well aware of this, and it made Birds' position very vulnerable to commercial blackmail. Moreau wrote:

> Cable agreed with me that the only thing to consolidate our position with the railway was to break these sirdars, and being willing, with me, to face the cost of doing so, I undertook to do it, though it meant working the contract for a year at a loss.
>
> We succeeded, however, ...gradually we substituted a number of petty sirdars with whom we dealt direct, for the one big sub-contractor...
>
> I think the railway were more surprised than anyone at our success in doing this, and it turned the executive officer most opposed to us on the railway, into a friend, partly, I think, because he found we were too strong for him, and of course it consolidated our position enormously with the railway company.

Ernest Cable wrote of these events more tersely:

> In those days we used simply to sublet to a native contractor who deposited Rs. 2,000 or Rs. 3,000 and when he fell short of coolies, we sent up men. and debited him; this system, with the growing scarcity of labour, became gradually useless and dangerous, and to Moreau belongs the credit of our present sirdari system...he worked at Goalundo one year entirely on daily men to break the back of previous abuses, at a heavy loss but it was done; a third of the men used to skulk under the wagons and break away to their lines; we had a cordon round the place to guard the men and keep them at work...[20]

This was plainly good business practice, and demonstrated the advantage of employing a main contractor with not only the determination but also the financial resources to intervene in the established "custom of the trade".

[19] Jacomb-Hood, *History, Emile Moreau*'s *Recollections*, p. 42.
[20] *Ibid., Lord Cable's Recollections*, p. 7.

Nevertheless, it also illustrates the ability of European interests to marshal enough strength to subordinate indigenous operators, reflecting imperial practice but not dependent on it.

There seems to have been a very wide margin between the rate charged by the sub-contractor and the rate charged to the ultimate client by the main contractor: "...the difference between Sadoo's tender to us and ours to them [the Port Commissioners] is some 35 per cent. to 40 per cent."[21]

Birds' labour contracting business grew, under Moreau's management, to huge and near-monopolistic proportions. In addition to the two big labour contracts with The East Indian Railway and The Eastern Bengal State Railway, they had contracts with the two inland steamer companies and with the Sulkeah Government salt golahs. Starting with coal handling, Birds extended their reach gradually throughout the whole of the Kidderpore Docks in Calcutta, then to the new tea warehouses opened there, and, further down the river, to the Port Commissioners' kerosene oil depot at Budge Budge. Moreau proudly wrote that "we had 15,000 men on our labour contracts and another 15,000 men, women and children employed at our jute mills and collieries at that time [1895]".

Ernest Cable wrote an internal memorandum ("many years ago"), cited by Jacomb-Hood:

> Do the Firm realise the magnitude (I had almost said majesty) of their labour department? I suppose not a ton of goods leaves Calcutta which we have not touched *once or twice*. We feed the shipping, we release thousands of wagons daily, all over the country; I suppose, sometimes, we move 50,000 tons of goods in one day, and employ, on an average, 20,000 to 25,000 coolies.
>
> The fact is, that upon labour monopoly alone, do we thrive...What are these contracts worth to us? They are worth as much as our [jute] mills and coal department taken together; they enable us to put money into new companies, in short, they are our backbone.[22]

One should not discount the economic value of the infrastructure service that Birds performed with efficiency and reliability on a very large scale, nor dismiss it as parasitical. Nevertheless, a Marxist historian would doubtless observe that

[21] Jacomb-Hood, *History*, p .128.
[22] *Ibid.*, p. 148.

substantial amounts paid to the contractors were severely attenuated by the time the money trickled down to the labourer.

One must also admire the skill which enabled Moreau to administer such a large undertaking, embracing 72 locations spread over more than 1,000 miles east to west, and five hundred north to south, relying on the telegraph alone for communication and on manual book-keeping, dealing with sub-contractors who were in many cases illiterate and with labour speaking a variety of languages and dialects. Competition was fierce (Jacomb-Hood records 28 competitors for the 1879 tender) and often unscrupulous, fomenting strikes and inventing complaints, where local railway officials themselves had ambitions to handle the labour direct.

Branching out into coal and jute

After the loss of the East Indian Railway labour contract in 1876, the business was reduced to an insignificant size, and the Birds, although they had amassed small fortunes, were interested in re-investing and sought new profit opportunities. These came about more by accident than by design, although in 1878 a saw mill was set up on the bullock train route to the Terai, presumably to supply tea chests, but it lasted no more than three years. Then a more interesting opportunity materialised.

Another Calcutta Managing Agency went bust – R. MacAllister & Co (MacAllister was an American, and another retired sea captain). They had two agencies, for the Burrakur Coal Company and the Oriental Jute Mill, neither of which was in good shape. The coal company had only one seam of good coal being worked, and was in litigation with the giant Bengal Coal Company over their land title. The jute company was almost derelict, with its shares at 10% of the flotation price.

The Birds used their contacts to secure both agencies, put the jute company into liquidation and refloated it as the Union Jute Company, and found extremely competent managers for the two concerns.

Emile Moreau also points out that:

> Neither Sam nor Paul Bird had any acquaintance with the technical side of jute mills or coal mining, but in these two instances the "luck" of the Birds held good and by finding the right men to work them, both The Union Jute Mill and the Burrakur Coal Co. became successful concerns and made Messrs. Bird & Co's name as successful managing agents.[23]

The "right men" were, unsurprisingly, Europeans – Charles Earp at the colliery and W.M. Colville at the jute mill. Ignorant of the technicalities though the Bird brothers were, they approached the considerable problems of the two businesses with vigour and commonsense. Faced with the prospect of losing their rights to the only coal-bearing seam at the colliery, they set about finding an alternative source, and in 1881 acquired "Lot Alipur" and floated the Alipore Coal Company the following year, when the Burrakur shareholders (including Captain Scott) were the principal subscribers. An even more exclusive arrangement had been contemplated (but was apparently not pursued), when Paul Bird wrote to his brother in London on 14th November 1881:

> Earp is more impressed than ever with the value of the Alipore Lot and is willing to put some money into it...the most satisfactory way to my mind, is for you and I to buy the whole thing up, it will always be valuable, and supposing that we had to give even Rs. 150 for the balance of the shares, we should still be the owners of a dirt cheap estate, not likely to decrease in value; when I say the whole thing, I would still leave in the Mem. [Cable's mother], Syl [vester Dignam, the lawyer and friend], Earp, Tyke [Ernest Cable] and Scott, these together hold 362 shares, and as we hold 429 between us, to which may be added the 50 I have bought, why there only remain some 650 shares, which could be got for something under a lakh [£385,000 at current values].[24]

Birds were, of course, appointed managing agents.

Unexpectedly, however, the litigation with the Bengal Coal Co. was decided in Birds' favour on appeal, and the Kumardhubi seam was worked as opencast very profitably until by 1889 it was exhausted. Meanwhile the promising Alipore field had not yielded any coal at all.

[23] Jacomb-Hood, *History, Emile Moreau's Recollections,* p. 35.
[24] Jacomb-Hood, *History*, p. 155.

The jute business also had an ill-starred beginning. The Oriental Jute Manufacturing Co. was deeply in debt to the Agra Bank, and an attempt to re-construct the re-capitalised company and transfer the debt fell foul of the Agra Bank's London directors. The company therefore had to be liquidated. Jacomb-Hood cites a letter from the Bird partner Gordon Stewart to Paul Bird in London, dated 22nd September 1880, implying some very unethical behaviour being contemplated. A secret agreement had been made between the Agra Bank and the liquidators, whereby the Bank would bid Rs. 2,81,000 for the company inclusive of their debenture claims but would only have to pay for any balance in excess of those claims.[25]

Perhaps it was as well that this deal was not pursued, and a syndicate (led by Captain Scott, according to Jacomb-Hood) registered The Union Jute Co., Ltd. on 5th October 1880 and purchased the Oriental Jute Company for a more respectable price of Rs. 4,50,500 (£1,740,000 at current values). Sam Bird held 2,250 shares, Scott 1,415 and Paul Bird 1.172. Cable's mother was also a shareholder.

So Bird's acquired control of a "dirt cheap" jute mill, which "was found to be equipped with old, inefficient engines and boilers, and out-of-date machinery, its godowns, etc., relics of the goods sheds built in connection with the Port Canning scheme, too, were quite inadequate".[26] Given the fresh capital, improvements could be made, and the mill showed a profit of Rs. 65,000 at the end of the first six months and nearly Rs. 2,00,000 in the next half year, which was a dramatic reversal of its previous performance.

Moreau attributed the steady success of The Union Jute Co., partly to the establishment of its own raw jute buying agencies at Naraingunge and Chandpur which were eventually equipped with large storage sheds and power baling presses, making the company independent of the fluctuations of the Calcutta jute market for its raw material, and perhaps, in the view of some economists, depressing the prices paid to the peasant growers.

The jute and coal acquisitions were to prove the foundation for the firm's eventual business empire, but it is clear that the developments were speculative,

[25] Jacomb-Hood, *History*, p. 187.
[26] *Ibid.*, p. 185.

undertaken without special knowledge of the processes, reinvesting some of the retained profits from their labour contracting business. There was no apparent strategic direction, only an opportunistic recognition of concerns for sale at bargain prices, helped by the business contacts, cronyism perhaps, which facilitated the transfer of the agencies and the raising of capital. It was also significant that:

> ...by this time [1876] Sam Bird had acquired what was a very large fortune in those days, and had really no further necessity to work, so without retiring from the Firm, he gave a larger share to Paul Bird. and, until he finally retired, he only remained in India for one more hot weather to allow his brother to escape it...[27]

They were rich enough to be able to gamble large sums on commercial speculation, and old enough not to be fiercely ambitious – in 1880 Sam was 58 and Paul was 45 (a retiring age of 55 was standard for Europeans in India until well into the 1960s). They evidently had much experience of commercial speculation: "[Sam Bird's] money was made out of speculation as much as from the business," wrote Ernest Cable.[28] Cable's mother, a close friend of Sam Bird's, also seemed to have money to invest, even though her late husband had, according to Ernest Cable, "never made any money to speak of".

There is no evidence of any competition from indigenous investors, and yet there was no shortage of enthusiastic Indian speculators not long afterwards, during the "gold rush" of 1890.[29]

The making of an entrepreneur

In November 1888 Ernest Cable arrived back in Calcutta after 6 months leave in England, bringing his new bride with him. He was 29 years old, and had been the junior partner in Calcutta responsible for the coal business since 1886, having joined the firm in 1880. He must have been born in Calcutta, since his parents arrived there in 1858, the year before his birth. He wrote of his father:

[27] Jacomb-Hood, *History, Emile Moreau's Recollections,* p 31.
[28] *Ibid., Lord Cable's Recollections,* p 10.
[29] "The same Marwaris, who brought *bags of silver* to the office to subscribe to the company, turned on us when the "boom" was over..." *Ibid.,* p. 16.

> Gordon Stewart [a subsequent partner] was at one time in my father's firm, Keep & Co., and ousted my father (who was over-devoted to theatricals) from it; Keeps were one of the small piece-goods houses which did a trade before the indent business killed them off. He (G.H.C.) never made any money to speak of and ended as the head of the statistical department of the Customs house on Rs. 500 a month...[30]

As was normal for European children, he must have been sent or taken back to the U.K. when quite young, but:

> I ought, perhaps to say of myself, I had been brought out to Calcutta at the age of eleven, as the winters were giving me throat diseases, and completed my education, such as it was, at Mussoorie.[31]

Nothing is recorded about his parents, but Ernest's nickname "Tyke", which stuck to him throughout his life, implies a Yorkshire origin. His grandmother was a Dignam, and therefore related to Sylvester Dignam, who was a distinguished Calcutta solicitor and a close friend of Sam Bird. This might be the connection which originally brought the Cables to Calcutta and led to the close friendship between the families.

> Neither Sam nor Paul Bird ever entered largely into the social life of Calcutta in those days, and although they were well known to many people, their actual intimacies were restricted, and may be said to have been centred in one family only in Calcutta, the Cables, with whom was associated Sylvester Dignam, one of the leading solicitors of those days, a kinsman and a very intimate friend of the Cables, with whom, he always lived in Calcutta.
>
> Sam and Paul Bird, from 1870 to 1880, had a very fine flat in the Esplanade...but from 1880 to the close of their connection with India, Sam and Paul Bird, whenever in Calcutta, lived with the Cables, who had taken a very fine house at Alipore called "Hastings House", with enormous grounds, even for those days...[32]

Ernest Cable joined Bird & Co. in 1880, after experiencing the failure of the two firms by which he had previously been employed, an illustration of the sometimes forgotten mortality rate among European enterprises.

Gordon Stewart had joined the firm in 1874 and had been a partner since 1879. He had been instrumental in securing the labour contract for the Eastern Bengal State Railway in 1886, which was particularly valuable given the loss of the East Indian Railway contract but he was not much liked, and in May 1887 Paul Bird wrote from the U.K. to Ernest Cable saying: "*Entre nous,* I am gradually

[30] Jacomb-Hood, *History, Lord Cable's Recollections,* p. 5.
[31] *Ibid.,* p. 19.
[32] Jacomb-Hood, *History, Emile Moreau's Recollections,* p. 31.

hardening myself against renewing with Stewart. Go on as you are doing and prove he is not necessary."[33]

Stewart's partnership agreement finished at the end of 1888, and when it was clear that it would not be renewed he made preparations to set up his own business which included plans to take over the Eastern Bengal State Railway contract, due for renewal early in 1889. In the absence of Paul Bird and Ernest Cable, the formal notice of termination and tender invitation to Bird & Co. came to Stewart, who put it away and did not respond to it. He also offered a job in his new business to the chief labour clerk and sent him upcountry where strikes immediately followed.

Paul Bird expressed his views:

> Can you prove Stewart organised these strikes? if you can I will make it hot for him. Let the Eastern Bengal railway know that we were tricked out of it by a treacherous partner, we will make it so hot for Stewart & Co. that the traffic shall be unworkable. How did that revised contract lay for weeks in our office? Was it not Stewart's duty to sign it for the Firm? He takes money from me to clear out quickly, and then tries to pick my pocket...[34]

Although he had no formal seniority in Paul Bird's absence, Ernest Cable took charge of a worsening situation, showing remarkable determination and courage. The events stayed fresh in his memory, and his reminiscences deal with them vividly and at length.[35]

The challenges to Cable went beyond the threat to the railway labour contract. The opencast coal field at Burrakur was worked out and after five years there was still no coal being raised at Alipore. A minor field acquired nearby at Mohanpur was also worked out, so it was necessary to buy coal in, ruinously unprofitably, to fulfil supply contracts. Cable summed up the quandary and described the good fortune and decisive financial management with which he resolved the looming crisis:

> Now the Burrakur company had credit and no coal, while the Alipore company had neither credit nor coal, but within a few months Agabeg, who had gone into the heart of our property, discovered the Gourangdhi seam, so I threw the two concerns into one with three lakhs capital, and Alipore company disappeared;

[33] Jacomb-Hood, ***History***, p. 111.
[34] *Ibid.*, p. 113.
[35] *Ibid.*, *Lord Cable's Recollections*, pp. 11-16.

the new company had credit, plus the new seam (just discovered); on the profits of that seam for years and years the company flourished...

Meanwhile, Cable successfully negotiated the renewal of the Eastern Bengal State Railway labour contract, beating off the competition from the much older and more experienced Stewart. He turned the strikes fomented by the defecting clerk into an advantage:

> I saw Boughey, the [E.B.R.] manager, and pointed out that these strikes would be chronic unless he gave us an absolute extension of three months (up to 31st March 1889) to enable us to look around and quote lower; this was granted, and we were able to beat Stewart, who was cocksure, when the tenders went in. It was a private affair and I went up with three rates in my hand, each lower than the other, but my first offer and the higher was sufficiently attractive...[36]

But Cable remembered that following Paul Bird's death in February 1889 his confidence was not entirely secure:

> I remember writing to [the manager] that if he were in doubt as to our financial ability (all three seniors being out of the concern) to carry on the work, I would produce two sureties; however, these were not asked for...[37]

Once again, personal contacts played an important part in Birds' success. Cable wrote a footnote: "McInnis of Thomas' did me a good turn with [The Eastern Bengal State Railway] knowing them well socially, and McFayden of Kilburns wrote a special private letter to Boughey at my begging." This marshalling of European contacts and influence had been, as we have seen, characteristic of the railway contract business. All railway officials were European, as a "national security" measure.

In addition to these problems, Cable had to face a major financing problem following Paul Bird's death, with the need to purchase from his executors his controlling shareholdings in the two companies whose agencies were vital to the firm. Cable's courage in exposing himself to financial ruin and his skill in negotiating an outrageously large loan are exemplary, and show him to have been an entrepreneur of classical quality – and one who never lost those abilities over the following forty years, in spite of setbacks and misjudgements.

> At the time of the crisis, after Paul Bird's death, another blow came upon me and that was, a large block of his shares in Union and Burrakur was offered for sale to pay out legacies, etc.; it was imperative that we should have a say in these companies and so I bought shares, about one lakh's [£470,000 at current values]

[36] Jacomb-Hood, *History, Lord Cable's Recollections*, p.12.
[37] *Ibid.*

worth, putting up as margin my entire capital of Rs. 10,000; Wood, of the Agra bank, gave me the required accommodation, after gasping with astonishment at my cheek; needless to say, I have always regarded Wood as one of the best bankers who ever went out to the East.[38]

It is necessary to acknowledge that the "mystic bond" will have been a major factor here: it is not likely that the European management of the bank would have accepted such a risk from an indigenous applicant. But Cable's entrepreneurial determination did not only rely on favourable responses from the banks, and he was willing to take the risk of guaranteeing another loan.

Among the top-hamper left us, as a legacy, on Paul Bird's death was Baragunda [Copper Co.]. ...the concern wanted more funds, and The Oriental Bank would only advance on Birds' guarantee; now, I deemed it important to show the public and the shareholders (who were in rampant mood) that their *junior* agents were not financial dummies, and so we guaranteed this sum; it was the *last* transaction Lawrence of the bank put through before his sudden death, two days later, and we should have saved our loss on this guarantee, for the officiating manager would not have taken the onus of the business on himself; still, the affairs brought us forward as real *live* agents and, on the whole, I always considered the loss was recouped by a gain in position. [39]

How the Birds commercial empire was built

Ernest Cable's remarkable and admirable responses to the crisis of 1889 established him as the natural leader of the firm, and evidently gave him the confidence to expand it on a very large scale.

After regaining the East Indian Railway handling contract in 1892, the labour business took an important step towards monopoly when the Calcutta docks contract was gained in 1895. This success was not achieved without manoeuvres bordering on sharp practice, which in any case seemed to be commonplace at the time. According to Ernest Cable the Deputy Chairman of the Port Trust and Atkinson, a competing labour contractor, were "brother Irishmen", and the Irish contractor was initially awarded the contract at what Cable called "a trifling

[38] Jacomb-Hood, *History, Lord Cable's Recollections*, p. 15
[39] *Ibid.*, pp. 15-16.

reduction on our rates." Cable was not about to admit defeat, and, in Emile Moreau's words:

> ...it was Cable's clever, scheming brain that got us our first foothold as labour contractors at the Docks. The chance arose when we took some of the docksheds for storing our export coal, before the Docks were much used by the liners or even any ships, and before the separate coal wharves were built; Cable filled three of these big docksheds with coal, gradually, and then sent three steamers at once to load therefrom, the Port Commissioners' own labour arrangements at the Docks were quite unable to tackle this sudden rush and this *contretemps* led to us "getting in" as labour suppliers for the coal "handling", and soon resulted in us taking it over for the general cargo at the Docks.[40]

These triumphs seemed to lead to a sequence of major developments, inspired by Cable's energy and determination and made possible by the firm's growing reputation for reliability and integrity in founding and managing successful enterprises.

In jute, Cable built on the success of the original Union Jute Company by floating the Standard Jute Company in 1895; by taking over the Clive Mills Company in 1899, refinancing it and greatly improving it; floating the Dalhousie Jute Company in 1903; the Lawrence Jute Company in 1905; and the Auckland and Northbrook Jute Companies in 1908.

In coal, he followed the success of the Burrakur Coal Company by forming four new companies in quick succession – The Central Jherria in 1900, and the Jamgram, Jumoni and Bhaskajuri Coal Companies in 1901.

As their export coal business increased rapidly, Cable took a further gamble and bought two new steamers [the SS *Florrican* and *Flamingo* for Rs. 15 lakhs - £7 million at current values] as colliers, making Birds at least partially independent of the big shipping companies.

By 1909 Bird & Co. had eleven collieries under management, raising and selling a total of nearly 1 million tons of coal (in 1880 they had raised 50,000 tons). In 1927 the nine jute mills under management were running more than 6,000 looms, employing 40,000 workers and turning over Rs. 685 lakhs [£162 million at current values].

---

[40] Jcomb-Hood, *History*, *Emle Moreau's Recollections*, p. 43.

Cable became President of the Bengal Chamber of Commerce [1903-4], a member of the Imperial Legislative Council and of the Calcutta Corporation [1903-5] and also Sheriff of Calcutta [1905] He was knighted by King George V when, as Prince of Wales, he visited Calcutta in 1906, and was created a baron in 1921.

He was succeeded by his son-in-law, Edward (later Sir Edward) Benthall, in a dynastic tradition common to the business.

Chapter 4

THE TEA INDUSTRY

A new development for India, created by Britons and the British Managing Agencies (notably Williamson Magor), which became a major asset to the national economy.

The managing agency system was particularly well-suited to the needs of investors in the fledgling tea industry, and by the end of the nineteenth century there were few tea gardens in the north east outside their control. A. K. Bagchi[1] cites The Indian Industrial Year Book for 1911 to show that seven British Managing Agencies controlled 61% of the rupee tea companies, and that the London correspondents of four of these controlled a further 34% of sterling tea companies. His tables for the tea industry show:

Name of managing agents or secretary	Rupee tea companies controlled	Name of managing agents or secretary / London correspondent	Sterling companies controlled
Andrew Yule & Co.	10		
Begg, Dunlop & Co.	10	F.A. Roberts & Co.	5
Shaw Wallace & Co.	2	R.G. Shaw & Co.	5
Williamson Magor	10	George Williamson & Co.	18
George Henderson & Co.	2		
Planters' Stores and Agency	1	Planters' Stores and Agency	6
Kilburn & Co.	6		
Octavius Steel & Co.	10	Octavius Steel & Co.	13
Gillanders Arbuthnot & Co.	1		
Kettlewell Bullen & Co.	1		
J. Mackillican & Co.	2		
C.A. Stewart	4		
Duncan Bros.	12	Walter Duncan & Co.	6
Davenport & Co.	8		
Hoare, Miller & Co.	1	Thomas Hoare & Co.	2
Jardine, Skinner & Co.	2		
McLeod & Co.	3	McLeod Russell & Co.	5
Barry & Co.	3		
		James Finlay & Co.	5
		C.A. Goodricke & Co.	4
		P.R. Buchanan & Co.	4
		Alex. Lawrie & Co.	4
		Others	47
Total	88		124

Source: *IIYB 1911*, Calcutta, 1911.

Source: *Tea Producing Companies 1914* and *Tea Producing Companies 1923-24*, compiled by the Mincing Lane Tea and Rubber Share Brokers' Association Ltd. and the Indian Tea Share Exchange Ltd., London, 1914 and 1924.

Managing Agencies came to provide an elegant management solution to the problems of remote (and largely ill-informed) British investors served by remote and inexperienced pioneers with little commercial or horticultural expertise. They provided centres of technical knowledge, as well as commercial disciplines

[1] A. K. Bagchi, *Private Investment in India 1900-1939*, Cambridge, 1972, pp. 176-179.

and active financing, syndicated to a number of tea estates – in Williamson, Magor's case there were forty-four in 1895.

As has been noted elsewhere, the individuals who set up as agents, and then managing agents, had brought with them to India few special skills beyond book-keeping, but they were able to develop a sophisticated network of inter-related services, ranging from labour recruitment to transport, from the provision of equipment and stores (including currency for wages) to the sale and shipment of tea, down to the detailed "hands-on" supervision of the management of the gardens. Letters from the partners in many of the firms display a more detailed preoccupation with the issues of successful tea estate management and manufacture than with parallel production matters in the jute and coal industries.

The development of the tea industry in North East India had far-reaching social, economic and environmental consequences, and was significantly more disruptive than the development of jute. It was, however, less damaging to the environment than, for example, the introduction of sugar planting in the Caribbean, and although there were social casualties among the indigenous forest dwellers, of which loud echoes persist, the justification seems to lie in the economic benefit for the larger community. The tea industry transformed Assam from a sparsely-populated frontier province, useful as a strategic buffer against Burma, into a thriving, revenue-producing element of the Indian state, albeit with a lasting capacity for insurrection.

The most disruptive and ethically questionable development was the importation of very large numbers of labourers from further West, and the deplorable record of sickness and death among them. If much of the immediate responsibility for this lay with Indian labour contractors, the reluctance of the planter community to accept an overriding duty of care was apparently indefensible even in the harsh context of prevailing social attitudes in Britain (and, indeed, Europe), and perhaps surprising given the contemporary surge in evangelical Christianity.

There is no convincing evidence of any systematic exclusion of indigenous participation in the tea industry, apart from the short-lived response to special pressures in the Dooars in the early 1920s. The notion that Maniram Dewan was somehow a victim of such an exclusion policy appears to be entirely fanciful.

The early history of the tea industry

The problems of opening out a garden and operating it successfully became notorious, for it had taken years to bring the pioneering Assam Company into profit, after it had been formed in 1839 to take over the East India Company's successful experimental tea gardens, created by the remarkable Charles Bruce.

By 1844 the Assam Company was struggling to survive the operating losses of its first years, and the London directors, themselves wholly ignorant of tea garden management, could only rely on local expertise. However, even that was beset by the simple difficulty of communication. Antrobus describes the predicament of the newly-appointed superintendent J. M. Mackie with a hundred miles of territory to cover from north to south:

> Even a straight journey of such a distance with the means of transport then available, an elephant at three miles an hour, could not be accomplished in under five or six days at the best time of year; but Mackie had twenty tea tracts...to inspect.[2]

Antrobus estimates that a journey from Calcutta to Assam by country boat would take two and a half months, and cites an account by a Government official of an upstream journey with his wife by country boat:

> Our progress down the Kullung River up to Kopili was slow. After twelve days tedious travelling, propelling our craft with poles, or dragging it with ropes, on the night of 14th March 1846, we were surprised unexpectedly by the birth of our second son...[3]

[2] H. A. Antrobus, *A History of the Assam Company, 1839-1953*, Edinburgh, 1957, p. 55.
[3] *Ibid.*, p. 420.

It was probably not until 1865 that bullock carts were introduced in Assam, as a remedy for the shortage of elephants.[4]

The Assam Company's results were so poor that by late 1846 the London directors were contemplating winding it up, and although they decided to continue, the company was to all intents and purposes bankrupt, and the operations in India in 1847 had to be financed by personal loans from two Calcutta directors. Antrobus does not mention the general financial crisis which was then sweeping London and Calcutta, but the future of the tea industry cannot have looked worse. The Assam Company was considering desperate measures, including abandoning a large part of their holdings and examining the possibility of independent *ryot* cultivation on the model of sugar and indigo plantations in the United Provinces. This proposal was turned down, on the grounds that Assamese *ryots* were too few and would be unwilling to undertake the work – as a sugar manufacturer in Lower Assam had discovered.[5]

Changes in the Calcutta management and in the field brought the company back into profit, but the crucial turning point was the appointment of George Williamson Junior as Superintendent in Assam in 1854. He is credited with revolutionising the cultivation and manufacture of tea in Assam, and the lucid, innovative and comprehensive report which he wrote following his first tour of Assam, cited in full by Antrobus,[6] was seen as a management blueprint then and still has resonance for a Visiting Agent 150 years later. Although little is known about his previous experience (one source states that he was a sugar planter in Bihar[7]), it could not have been in tea cultivation or manufacture, and his is a prime example of the empirical methods which drove the development of the industry from first principles, having abandoned the attempt to utilise imported Chinese experience. Neither he nor Charles Bruce before him brought with them to India any specialised agricultural or horticultural skills.

---

[4] see letter from G. B. Stevens, Superintendent, The Jorehaut Company, to the Board, 17 October 1865, cited by H.A. Antrobus, *A History of the Jorehaut Tea Company Ltd, 1859-1946*, London, 1948, p. 71.
[5] Antrobus, *Assam Company*, pp. 72-73, citing an undated report from Henry Mornay, the company's Secretary in Calcutta.
[6] *Ibid.*, pp. 479-485.
[7] Peter Pugh, *Williamson Magor Stuck to Tea*, Cambridge, 1991, p. 26.

He went on to found the Jorehaut Company with his cousin George Williamson Senior, who was active in acquiring land leases and establishing tea gardens, and his brother, Captain James Hay Williamson, who was captain of a Government inland steamer, an occupation which allowed him to profit from trading on his own account en route. It was this latter Williamson who was eventually to found the Managing Agency which bore his name.

The Jorehaut Company, the second public tea company, was incorporated in 1859, and was from the outset a substantial rival to the Assam Company, although the rivalry was in many respects peculiar, as we shall see. Three of its principals had been associated with the Assam Company, including George Williamson Junior, who became the new company's Superintendent, and Henry Burkinyoung, who was still a major Assam Company shareholder, had once been its Managing Director, and who later was to become chairman of Jorehaut. In an unregulated corporate environment it was apparently not seen as a conflict of interest for 88% of the new company's capital to be used to buy four tea estates from the directors – Cinnemara and Oating from the three Williamsons jointly for £30,000 [£1,400,000 at current values}, Koliabar from George Williamson Junior for £5,000 [£240,000] and Numaligarh from Burkinyoung for £18,000 [£860,000].[8]

The examples of the Assam Company and the Jorehaut Company finally showed that profitable operation was possible, and by 1859 there were 51 tea gardens in Assam. By 1862 there were 160 tea gardens, producing more than 1m pounds weight of tea, owned by five public companies and 57 private individuals or private companies, all British.[9] Many of these had been opened up cheek by jowl with Assam and Jorehaut Company properties by assistants still working for them and helping themselves unashamedly to seed, labour and other supplies, and in the case of the Assam Company, almost certainly with the connivance of the Calcutta management, whose directors were doing the same thing. Assistants were very poorly paid – in 1863 salaries were increased to a range from £100 up to £200 [£4,800-£9,600 at current values][10], and no doubt the principal attraction of a thankless and risky job was to be able to learn the techniques and then grasp an opportunity to apply for a land grant and to set up

[8] Antrobus, *Jorehaut Company*, p. 36.
[9] Sir Percival Griffiths, *A History of the Indian Tea Industry*, London, 1967, pp. 70 & 75.
[10] Antrobus, *Assam Company*, p. 425.

independently, often with a view to selling the garden sooner rather than later to investors in London and Calcutta, rather than developing the garden themselves. In 1864 the Jorehaut Board instructed the Superintendent to prohibit his assistants from owning land on their own account, but after vigorous protests they were allowed to take up land but not to manage it as a tea plantation.[11]

However, dubious practice had not been confined to junior assistants.

The Assam Company was finding the dual relationship with Jorehaut irksome, in particular because Burkinyoung was pressing for the appointment to the Assam board of the Jorehaut Managing Director, William Roberts. The matter came to a head in 1862, when W.J. Judge, the Calcutta chairman of the Assam Company, wrote to Burkinyoung:

> The Assam Company's office premises, servants and boats have been used for the benefit of the Jorehaut Company, and the coolies of the Assam Company have been made over in large numbers to the Jorehaut Company, by the orders of the Calcutta Agent of the Jorehaut Company, Mr Carter, while acting as Secretary and Honorary Managing Director to the Assam Company.[12]

There were also dubious transactions in seed, and Carter, as well as the Assam Superintendent Mackie, were forced to resign. Burkinyoung resigned from the London Board, although it was not alleged that he knew what was going on.

Meanwhile George Williamson Junior was using his position at Jorehaut to develop a garden of his own in Cachar, and to acquire land for himself while negotiating for land on behalf of Jorehaut. In 1861, in an act of extraordinary blatancy, he sent the Jorehaut board a prospectus for the nascent East India Tea Co. Ltd., of which he was also acting simultaneously as Superintendent. He left Jorehaut in 1862, pleading ill-health rather than acknowledging any conflict of interest.

At that point the Jorehaut Company themselves appointed a Managing Agency – Begg, Dunlop, which we have seen figure in the affairs of Mackinnon Mackenzie. William Mackinnon's nephew Duncan MacNeill was a partner there at the time,

---

[11] Antrobus, *Jorehaut Company*, p. 40.
[12] Antrobus, *Assam Company*, p. 118.

and William's close friend David Begg himself joined the Jorehaut Board in 1859, and became Chairman in the same year, continuing until his death in 1868.

The "tea mania" of the early 1860s demonstrated the dangers of investing in a far-distant enterprise on the sole word of its promoter, and fraudulent prospectuses combined with inexperienced and incompetent garden management left a trail of financial disaster, even catching out the shrewd William Mackinnon. The 1854 Waste Land rules were applied progressively more laxly, survey information was inadequate, and large areas of land were taken up purely as speculation, encouraged further by the Fee Simple Rules of 1861. The failure of the Agra Bank in 1866 was the final blow and a collapse in investor confidence led to panic selling and many business failures.

In this context of dubious business practice a good managing agency, by contrast, was able to assess the potential of existing estates and of virgin grant land; to syndicate expertise in garden management and tea manufacture and to keep managers under supervision; source seed, horticultural supplies and factory equipment; contract for the importation of labour; contract for the transportation of manufactured tea to Calcutta and arrange either for its sale there or for its shipment to London; and, most importantly, it could fund garden expenditure by making hypothecation advances against the new season's crop. It was therefore in an authoritative position to promote investment in new tea companies, and its reputation for integrity, as well as for the success of the gardens already under management, was the vital factor. Although the process was not without risk, investors in Britain (often private individuals with small shareholdings) could be reassured that trustworthy compatriots in Calcutta, already at a vast distance from Britain, had the experience and expertise to manage their company, even though it was another vast distance away in Assam or Darjeeling. In 1867, The Assam Company themselves, faced with another downturn in business and a management crisis, put the business in the hands of a managing agency – Schoene Kilburn.

The achievement of the tea industry

The establishment of the tea industry in north east India was once widely regarded as a triumph of British enterprise, creating as it did the largest tea producer in the world, one of the largest earners of foreign exchange for India, and an enduring economic legacy to the post-colonial state. Even in the days of bitter Indian nationalist recrimination and vindictive fiscal legislation in the 1970s the tea industry's value to the national economy was seen to justify the exemption of the sterling tea companies from the draconian provisions of the Foreign Exchange Regulation Act. The industry still flourishes in the 21st century, largely under Indian ownership, on estates first cleared and planted by the British.

Writing in 1926, Sir Edward Gait, sometime Commissioner of Assam, wrote, more or less as a footnote to his scholarly history of the Province:

> The benefits which the tea industry has conferred on the Province have been many and great. The land most suitable for tea is not adapted to the cultivators of rice, and the greater part of it would still be hidden in dense jungle if it had not been cleared by the tea planters. The gardens gave employment in 1923 to 527,000 labourers...The gardens provide an unfailing source of employment for local cultivators who, for any reason, may wish to work for hire. The literate classes have obtained numerous clerical and medical appointments on the gardens; and the demand for rice to feed the coolies has considerably augmented its price in Assam, and so enabled cultivators to dispose of their produce at a greater price than would have been possible had they been obliged to export it to Bengal. A great impetus has also been given to trade, and new markets have been opened in all parts of the Province. The existence of the tea industry has been a potent factor in the improvement of communications by rail river and road.[13]

The pioneering work of the early planters was seen as heroic, and indeed they risked personal danger, physical hardship and disease which claimed many of their lives. If the exploits they described (and perhaps exaggerated) in memoirs smack of the boys' adventure stories of the nineteenth and early twentieth centuries, there is no doubt about their courage and self-reliance in tackling formidable tasks for which no precedents were available.

[13] Sir Edward Gait, *A History of Assam,* 2nd edition, Calcutta & Simla, 1926, p. 361.

Sociological and environmental considerations

But this Panglossian version of Whig history was accompanied by deep uneasiness about the treatment of immigrant labour, both in transit to Assam and on the gardens. The deplorable truths uncovered by successive Government enquiries could not be excused or ignored, but even as the need to recruit labour from distant places declined with the increasing numbers who had chosen to remain on the gardens, the working and living conditions improved only marginally until well after the second world war.

The topic has been fairly thoroughly explored, and the roots of the problem can, with hindsight, be easily identified. It was (it still is) impossible to cultivate tea without a large manual labour force; local inhabitants in Assam were self-sufficient *ryots* who were not attracted by the rigours of paid work and were heavy opium users; hill tribes further west, particularly in Chota Nagpur, were physically strong but impoverished, and could be persuaded to accept three-year indentures to work in Assam, sweetened by substantial advances of wages. The cost of recruiting and transporting these labourers was considerable.[14] Antrobus cites a cost in 1865 of £20,000 for 1,000 coolies [£1,000 a head at current prices],[15] and costs of this order needed to be amortised over a period long enough to make economic sense for employers; many arrivals, doubtless already traumatised by the long journey, found the work, the rewards and the climate much less agreeable than the recruiters had promised, and wanted to go back home. Their indentures prevented this, and were enforceable by law, on pain of imprisonment. But there were many cases where planters used brutal extra-legal methods to dissuade would-be absconders.

This was not a short-term problem. In 1903 A. Logsdail, an SPS missionary in Chota Nagpur, wrote that:

[14] Parenthetically it is interesting to note the inflationary effect of the demand for labour for export to Mauritius, where rates of advances were higher and where living conditions were more agreeable. Export to the Caribbean was continuing, but was not cited by Williamson.

[15] Antrobus, *Assam Company*, p. 146.

From 1894-1901 141,063 men and women deserted
From 1894-1899 40,366 women deserted (included in the above figure)
In the "above eight years" 4,192 warrants were issued,
4,644 men and women were arrested,
4,123 were convicted.
In 1900, out of 323 convicted, 294 were imprisoned.

In 1901 out of 270 convicted 247 were imprisoned.[16]

In May 1906 Richard Magor, still the Senior Partner of George Williamson in London, wrote to his Calcutta colleague, L.A. Smith:

> Absconders:
>
> We consider it most injudicious to have sent an extract from Mr Catto's letter to the Lieut. Governor embodying his admission that he had taken the law into his own hands and chastised the absconding coolies that were captured, and the position is not improved by the fact as we now learn, that these coolies ere free labourers.
>
> This makes it a still more glaring breach of law and how anyone can calmly ask the Government to assist them in illegally capturing free men under no contract surpasses our comprehension.
>
> You of course did not know this at the time but you were aware that the Lieut. Governor views with considerable disfavour the right of capturing runaways even when under an agreement, also that the law requires that when caught they should at once be taken before a magistrate.[17]

Several factors contributed to this situation. Tea planters, particularly in the early days, were extravert adventurers, perhaps with seafaring or even agricultural experience, but certainly without experience of managing a thousand or so hill tribesmen and women. They were working in isolation, often the solitary European on the garden. The shortage of labour was a constant impediment, and it was by no means unknown for a planter to employ labour absconding from a relatively nearby garden. Labour was the principal cost element and therefore had a direct impact on profitability, but too little labour would reduce output and compromise future production: there was therefore intense pressure on labour rates.

Subhajyoti Ray, writing of the tea industry in the Dooars, pointed out that immigrant labour there was not indentured, making possible "a more nuanced approach to the issues of labour recruitment and control. Placed alongside the

[16] A. Logsdail, 'Assam Tea Garden Labour Question', *Calcutta Review* 116/236, 1903, p. 259.
[17] Cited by Pugh, *Williamson Magor*, p. 44.

same issues in the agrarian sector, especially in the use of advances, it establishes an uncanny 'continuity' between the two."[18] He suggests that tea garden labour issues have been "interpreted predominantly through the prism of colonial laws and court decisions rather than on the basis of the actual working of a plantation unit"[19], and cites the fact that more enlightened managers made sure that family units could enjoy accommodation no worse than that at home, and have the benefit of a small allotment of land for growing foodstuffs and even keeping a cow. The marginal cost of this was less than the cost of losing and replacing labour, although not all planters understood the equation. He also warns that "analysis of labour control has been undertaken from a 'nationalist' perspective in which a catalogue of the oppressive methods of employment, harsh working conditions and collusion between the planters and the colonial state (very basic and crude elements of anti-colonial ideology) has sufficed as explanations for evidently more complex processes"[20].

Health was also a major problem. Many labourers were sick when they arrived, debilitated by the appalling conditions of the journey. Malaria and cholera took a terrible toll, and there were occasional epidemics which swept through the coolie lines. On one occasion almost the entire workforce of a garden died.

However, mortality on the journey to Assam was so high that it threatened the viability of the migration scheme, and in 1861 was the subject of the first of several Government enquiries to reach damning conclusions. In particular it laid down that responsibility for the welfare of migrant labour could not simply be shrugged off on to the Indian labour contractors who undertook recruitment and transportation. Griffiths summarises the 1861 statistics: "Mortality on the voyage to Assam commonly reached ten or twelve percent, while on one occasion it had been as high as fifty percent, and as the contractors seem to have been paid in full even when the coolies died on the way, most of them made no attempt to secure cleanliness or provide satisfactory food."[21] The 1906 enquiry detailed the mortality after arrival in the tea gardens: "...out of 84,915 labourers landed in the tea district between 1 May 1863 and 1 May 1866 over 30,000 had

[18] Subhajyoti Ray, *Transformations on the Bengal Frontier: Jalpaiguri 1765-1948,* London, 2002, p. 13..
[19] *Ibid.,* p. 12.
[20] *Ibid.,* pp. 12-13.
[21] Griffiths, *Tea Industry,* p. 269.

died by 30 January 1866."[22] Griffiths points out that these were the years of "tea mania", when many tea gardens were being opened out by unscrupulous and ignorant speculators.

George Williamson, the Jorehaut company's superintendent, reported on 5 July 1860 that: "I have received the first batch of emigrants – of 51 shipped, 38 have been landed, the remaining 13 having either died or absconded."[23] Later he gave a first-hand account in a letter to his Managing Director dated 21 September 1860, "...[of] the excessive mortality on the passage up, from cholera generally, averaging not less than 20 per cent." He went on the describe the conditions he witnessed when he joined the steamer at Gauhati:

> The most obvious inconveniences were: first, insufficient cooking accommodation, causing undue delay in the preparation of their meals, and as each individual or family had their rations served out to them in their raw state. those who were the latest to cook, rather than wait, satisfied the cravings of nature with uncooked food. Secondly, no private conveniences for relieving the calls of nature; nothing but the ship's side, in the most public manner, the candidate for relief requiring another person to hold on by the hands, if a woman, this was a source of positive terror to the female emigrants, several of whom are dropped overboard on each trip...These are serious evils...[24]

It may be satisfactory to know that these "evils" were recognised so early, but it took many years for them to be remedied, and it may be suspected that Williamson's concern was informed as much by pragmatic self-interest as it was by humanitarianism.

Land distribution change

Among the immigrant labour force the human cost of developing the tea industry was therefore considerable, and some of it, at least, could well have been minimised. However, the incomers were not the only people affected, and contemporary Assamese sub-national awareness has stimulated the study of the specifically Assamese perspective. In his thoughtful and restrained article[25]

[22] *Ibid.*, p. 270.
[23] cited by Antrobus, *Jorehaut Company,* p. 49.
[24] cited by Antrobus, *Jorehaut Company*, p. 51.
[25] Sanjib Baruah, 'Clash of Resource Use Regimes in Colonial Assam: a Nineteenth-Century Puzzle Revisited', *The Journal of Peasant Studies*, 28, 3, April 2001, pp. 109-124.

Sanjib Baruah shows how the impact of imperial land-use regulation, and in particular the designation of waste land, dispossessed the settled *ryot* of access to what had been essentially common forest land, as well as disrupting the lives of the forest-dwelling people.

> The other side of recording land rights was the colonial state's assertion of claims to the vast majority of land in which, it assumed, no private rights ever existed. That was the land on which the colonial state made the most far-reaching of decisions. Among them were lands declared waste lands enabling their allocation to tea plantations...[26]
>
> Whatever its contribution to 'progress', the colonial land settlement project resulted in significant dispossession of the Assamese peasantry and of the shifting cultivators and hunter-gatherers of the Brahmaputra Valley and the surrounding hills.[27]

This scenario was not, of course, exclusive to Assam, to the period or to the imposition of British imperial rule. Richard H. Grove points out that "Widespread deforestation in connection with rises in population, state-sponsored colonisation, state-building and urbanisation in many parts of the world in the early 'medieval' period after about AD 1200 has frequently involved the progressive over-running of 'forest tribes' in places as far apart as eastern Germany or the Gangetic plain."[28] . Elsewhere, Grove also writes that:

> A growing awareness of ... pronounced pre-colonial deforestation episodes leads one seriously to question the objectivity of some recent historical essays that have tended to characterise the pre-British period as an ecological and pre-capitalist golden age of common property rights and sustainable resource use... In fact, far from being a paradise of so-called common property, the non-arable Indian environment has, from a very early date, been subject to attempts at management and control by both states and dominant groups...[29]

These topics are also explored in depth (and at much greater length) by Simon Schama in *Landscape and Memory*[30], but meanwhile Baruah points out that in Assam the post-colonial state has continued the process, to the point where in the 1980s the Bodo people protested at being treated as encroachers "after nearly a century when many of them were able to move around cultivating lands

[26] Baruah, *Clash of Resource Use*, p. 111.
[27] *Ibid.*, p. 114.
[28] Richard. H. Grove, 'Colonial conservation, ecological hegemony and popular resistance: towards a global synthesis', in John M. MacKenzie (ed.), *Imperialism and the Natural World*, Manchester, 1990.
[29] Richard H. Grove, *Green Imperialism: Colonial expansion, tropical island Edens and the origins of environmentalism, 1600-1860*, Cambridge, 1995, p. 386.
[30] Simon Schama, *Landscape and Memory*, London, 1996, pp. 37-240.

formally designated as protected forests".[31] Armed protest has been rife in Assam for decades, denounced as terrorism and posing a significant security problem to the State as well as to the vulnerable tea estates.

Neither Grove nor Baruah goes so far as to suggest that taking very lightly-populated wilderness land into cultivation is intrinsically undesirable, which would be difficult to reconcile with the realities of human population growth over ten millennia.[32] But since this activity has often caused severe ecological as well as sociological damage, it has, at least since the eighteenth century, been viewed with caution, if not suspicion, and now more widely in the context of current concerns about the global health of the ecosystem and the global reach of capital wealth. Allied concerns about botanical manipulation, either in the contemporary sense of genetic engineering or in the historical sense of introducing exotic plant species into colonised lands, have invited more specific scholarly study, formulating a concept of 'plant colonialism' as a parallel to, or even a surrogate for, the political and military impositions of empire.

However, the wholesale changes in large parts of the Assam landscape made during the nineteenth century by forest clearance and tea planting do not seem to have damaged the ecology, although in 1882 a tea planter suggested that forest clearances had slightly reduced rainfall, which was beneficial in making cultivation and plucking easier.[33] Tea plants are famously indigenous to Assam, and are themselves trees, even though kept heavily pruned in cultivation. The requirements of commercial production and the capital value of the land ensure that the soil is not eroded, and even the use of inorganic fertilisers is often avoided in order to protect the taste quality of the leaf. While it is true that the orderliness of a tea garden contrasts with the disorder of the 'jungle' which often surrounds it, it is fanciful to read into this a paradigm for imperial control: the successful cultivation of tea requires horticultural disciplines which were developed experimentally by practical men, motivated by the prospect of wealth.

---

[31] Baruah, *Clash of Resource Use*, p. 121.

[32] Grove, *Green Imperialism*, p. 266 cites but does not endorse Emmerich de Vattel's *Law of Nations* (London, 1760): 'Those who did not cultivate it had no right to retain control of the land.'

[33] Samuel Baildon, *The Tea Industry in India : a review of finance and labour, and a guide for capitalists and assistants*, London, 1882, p. 135.

Jayeeta Sharma[34] has been much impressed by Richard Drayton's work on the politics and philosophies of nineteenth century botany, (as well as on the particular example of the Caribbean) but the attempt to impose its conclusions on the development of the tea industry does not seem to be convincing:

> ...an idyllic vision of unordered Nature blooming into ordered gardens requires examining as part of a general doctrine which Richard Drayton terms the 'economics of Eden' where 'the rational use of Nature replaced piety as the foundation of imperial Providence, government became the Demiurge, and universal progress, measured by material abundance, its promised land'[35]

The notion of "Edenic" characteristics in the extremely hostile jungle environment of Assam certainly did not occur to the early botanist explorer, John Maccosh[36], who did not romanticise it, and David Arnold wrote that "...it would be wrong to imagine...that there existed a single, Edenic, image of the tropics"[37]. The planters who had to work there certainly found Assam conditions threatening, although once established and acclimatised, many of them developed a surprisingly strong attachment to the landscape and to its human and animal inhabitants.

Indigenous participation in the tea industry

Indian participation in tea planting came late and was very much in the minority until the wholesale changes of ownership in the 1970s, which saw Marwari investors taking over. The official chronology appears to have been that "the first Indian tea estate was started by an inhabitant of Sylhet in 1876...Mr. B. C. Gupta and his companion Mr. D. N. Dutt"[38]. Percival Griffiths says that "in 1879 the first Indian-managed tea company in Bengal was formed by a few enterprising Bengali lawyers and clerks. The company was known as the Jalpaiguri Tea

[34] Jayeeta Sharma, 'An European tea 'garden' and an Indian 'frontier': the discovery of Assam.' *Centre of South Asian Studies (Cambridge), Occasional Paper No. 6, 2002*, p. 25.
[35] Richard Drayton, *Nature's Government: Science, Imperial Britain and the 'Improvement' of the World*, Yale, 2000, p.80.
[36] John Maccosh, *Topography of Assam*, Calcutta, 1837.
[37] David Arnold, *The Problem of Nature*, Oxford, 1996, p. 149.
[38] W. H. Ukers, *All About Tea*, New York ,1935, p. 407.

Company, and its only garden was Mugalkata".[39] Neither source records a parallel start-up in Assam, and Ukers says: "In Assam proper, very few gardens are Indian-owned, but in Kangra, Darjeeling, the Dooars and the Terai fair areas are owned by Indian companies."[40] In a personal communication Subhajyoti Ray suggests that the inaccessibility of the tea areas in Assam discouraged Indian exploration there, whereas the Dooars and Sylhet were both literally and figuratively "closer". As early as 1853, a District Officer wrote:

> The population increases very slowly indeed, on account of the excessive mortality that takes place annually from cholera and smallpox. It is never increased by foreign settlers. Neither Bengalees nor Hindostanees can be induced to settle in Assam for fear of these and other diseases, although the utmost encouragement has been given to them and others to do so since the Province has been in our possession.[41]

Is it possible that it was the same cultural factors which motivated so many nineteenth century British explorers that led them to confront the dangers in Assam?

However, several Assamese entrepreneurs, some having trained on British-owned gardens, started their own. "Roseswar Barua, one of the greatest of these pioneering tea planters, who had opened out half a dozen gardens in the 1860s had to sell off many of his gardens....", and it was not until the 1880s that "Bisturam Barooah secured a land grant to open up Thengalbarie Tea Estate"[42]. Amalendu Guha says that the tea "crisis" of 1866-69, which cost Barua his gardens, also claimed sixteen Indian tea gardens in the Goalpara district alone.[43] It is probable that many of these small gardens had no tea manufacturing capacity of their own, and would sell plucked leaf to a nearby garden which did. Some will have concentrated on producing seed, for which there was a strong market during the tea "mania".

Many Indian and Assamese historians are convinced that British land grant policy, and British planters, deliberately set out to prevent indigenous participation in tea planting, although the evidence for this is not strong. The

---

[39] Griffiths, *Indian Tea Industry*, p. 115.
[40] Ukers, *All About Tea*, p. 407.
[41] A.J. Moffatt Mills, *Report on the Province of Assam*, Guwahati Publication Board, Assam, 1984 (originally published in 1854). Letter to Captain Jenkins from Captain Veitch, p. 76, cited by Sharma, *European tea 'garden'*, p. 38.
[42] Arup Kumar Dutta, *The Khongiya Barooahs of Thengal*, Guwahati, 1990, p. 47.

principal accusations are that the terms of land grants were unreasonably restrictive in terms of qualification and then unreasonably generous in terms of revenue payments. The Waste Land Grant Rule of 1838 was in operation until 1854, and was deliberately framed to encourage venture capital investment in clearance and cultivation, and had parallels in other "empty" parts of the world, notably in North America and Australasia. Its provisions were that any tract of waste land, from 100 to 10,000 acres, might be taken up on a forty-five years' lease, with a rent-free period of from five to twenty years, depending on whether the land was open, under reeds or under forest. It was a condition that a quarter of the area should be cleared within five years, or the lease would be forfeited. When the rent-free period expired, 25% of the area continued to be rent-free and the remaining 75% was assessed for revenue tax progressively, rising to Rs. 1 – 2 per acre. It is pointed out by several writers that this was less than the rate paid by *ryots* for agricultural land. At the end of the lease 25% of the area would remain rent-free in perpetuity and the remainder would be assessed either at 25% of gross profits or at the rate paid for rice lands in the neighbourhood, at the option of the tenant.[44]

In 1854 the provincial magistrate, Moffatt Mills, wrote his report to Government and recommended a significant liberalisation of the rules, since European "speculators" had evidently not taken up leases in the numbers that had been hoped for.[45] As a result the rules were revised in 1854, providing 99 year leases, and reducing the progressive assessments to only As. 6 per acre after 25 years. However, the minimum area was increased to 500 acres – a more realistic size for a viable tea garden – and applicants had to prove financial resource in capital or stock of at least Rs. 3 per acre. The grantee had to clear one eighth of the land in the first five years, one quarter within the first ten years, one half within the first twenty years and three-quarters before the expiry of thirty years. In 1861 the capital threshold was raised again, with the introduction of 'fee simple' grants, under which land was sold at prices ranging from Rs. 2 As. 8 to Rs. 5 per acre, without any clearance condition. In 1876 the sale of land outright was stopped, and a system of 30-year leases substituted.

---

[43] Amalendu Guha, *Planter Raj to Swaraj: Freedom Struggle and Electoral Politics in Assam 1827-1947*, New Delhi, 1977, p. 21.
[44] See Gait, *History of Assam*, pp. 359-360.

It is sometimes argued that these provisions discriminated against Indian and Assamese investors since the requirement to clear land within the time limit, to commit to leasing large minimum areas and to prove minimum wealth needed capital beyond their resources. Jayeeta Sharma describes this as "active discouragement to indigenous applicants"[46], and quotes from Mills' 1854 report, where he points out that "natives have no capital and their only resource is to settle other *ryots* in these grants so that as much or even more becomes waste in one place than is reclaimed in the other." A more extreme view is in an overtly Assamese sub-nationalist website[47] which publishes a bi-lingual newsletter (undated) headed *Social History of Assam:*

> The policy of "Waste Land Regulation" was imposed from the starting of tea cultivation as a tactic of depriving the local people. Under the "Waste Land Regulation" the rate of revenue of the land was far less than that of Assamese local people. On the other hand the industrialists with less capital were deprived of possession of land in accordance with the regulation that prohibited anybody to get a lease of land less than one hundred acres.

However, it would not be logical for any state to offer advantageous waste land grant (or homesteading) terms without some reliable expectation of development return, and although it was assumed that risk capital would come from British sources, there was no indication of any intention to exclude indigenous investors if they could meet the necessary criteria. Amalendu Guha, who is far from sympathetic with the British, states that "indigenous aspirants were not discriminated against as such"[48] in the 1838 Rules, and that under the 1854 Rules the minimum 500 acre requirement "was later [in 1856] reduced to 200 acres and made relaxable even to 100 acres in special cases, if native applicants could satisfy the Collectors of their ability to bring *ryots* from outside Assam"[49].

Indeed, there were certainly many Indian capitalists outside Assam who had the wealth, but although it has been suggested that they regarded Assam as impossibly distant and the project unacceptably risky, the very first venture capital initiative was the formation of the Bengal Tea Association in 1839 by Dwarkanath Tagore and his Indian and European associates, through the Carr, Tagore managing agency. This was, by mutual agreement, very shortly

[45] Mills, *Report*, cited by Baruah, *Clash of Resource Use*, p. 118.
[46] Sharma, *European tea 'garden'*, p. 17.
[47] (www.geocities.com/CapitolHill/7434/history.htm#Modern%20Age)
[48] Guha, *Planter Raj to Swaraj*, p. 13.
[49] *Ibid.*, p. 14.

subsumed into the London-based Assam Company, and a Tagore family member was one of the original Calcutta directors, as was Motilal Seal, who signed one of the original share certificates. When the company was floated, the demand for shares in India was as strong as in London, and 22% of the final allocation was held in Calcutta;[50] later company history shows that Indians were well represented as shareholders.

An invented history?

In support of the thesis that indigenous tea planting was actively discouraged by the authorities and opposed by European planting interests, a persistent, unsubstantiated and conceivably invented narrative concerns the tea planting activities of the Assamese folk-hero and "martyr" Maniram Dewan Dutt Barua, who was executed in 1858 for inciting to rebellion the young Ahom Saring Raja (to whom he was Diwan). Versions of the story have gained fairly wide currency, and one has been repeated by Jayeeta Sharma in her recent paper. It also appears in a commissioned history of Williamson Magor & Co[51]; in a hagiography of an Assamese family which eventually became tea garden owners[52]; in an undated website document[53] published by MRB Enterprises, tea brokers, estate owners and merchants in Guwahati; and in a paper presented at the Indian History and Culture Society Annual Conference in October 1997 at Garhwal University Srinagar by Kanak Chandra Deka.[54] It is not possible to discern where the story originated, but Gupta's version appears to be a shortened transcript of the MRB Enterprises version.

Some of the facts of Maniram's history are straightforwardly agreed. Gait says that in 1857 sepoys in Dibrugarh were found to "have entered into a conspiracy with the Saring Raja" (Prince Kandarpeswar Singha) who was arrested. His

[50] Antrobus, *Assam Company*, p. 42.
[51] Sujoy Gupta, *Four Mangoe Lane*, New Delhi, 2001, pp. 20-23.
[52] Dutta, *The Khongiya Barooahs.*
[53] www.mrbtea.com
[54] www.picatype.com/dig/dn1aa07.htm#

house was searched and "treasonable letters were discovered from Maniram". Maniram was in Calcutta, where he was arrested, and then sent to Assam for trial. Deka records that Maniram was tried by a Mr. Holroyd and hanged on 26th February 1858, and that one of his friends was sentenced to life imprisonment, three more to 14 years, and two villagers were transported for life.

However, the MRB account puts quotes around "conspiracy" and refers to "a travesty of a trial" and Gupta adds a gloss of "trumped-up charges".

Several sources state that Maniram worked for the East India Company, some quoting Stanley Baldwin, *Assam's Tea* (not traced), as a sirastadar or gomastha with Captain Neufville in his expeditions against the Singphos and the Khamtis in 1824-5, and then as Revenue Seristadar and Tehsildar. According to Sharma he was then appointed Barbhandar Barua to the Raja Purandar Singha when he was reinstated by the Company as a tributary ruler of Upper Assam in 1833. [55] Sharma states that in 1836 he was appointed Dewan or Land Agent by The Assam Company, but the company was not formed until 1839 and only took over the EIC's tea gardens the following year[56]. But Antrobus cites a report in 1841 from William Prinsep, who was Secretary, which comments favourably on "Muneeram's" work at the company[57], so there is no doubt that he did work there.

Sharma also states (unreferenced) that Maniram left The Assam Company in about 1842, having been suspended on charges of diverting its seed and labour to his own ends. All the sources claim that having learned the skills of planting he started two of his own tea gardens, at Cinnemara, near Jorehaut, and at Singlo near Nazira, Sharma implying that this was while he was still employed by the Assam Company, while the MRB website and Gupta date this development to 1845.

---

[55] Sharma attributes most of her facts to Benudhar Sarma, *Maniram Dewan*, Calcutta, 1950 (in Assamese). In a footnote on p. 19 she says he described himself as a 'peripatetic historian', and that his book drew upon an earlier account published under a pseudonym by Nilkumud [Indibar] Barua, a publicist who was related to Maniram by marriage, and included him in a narrative of heroic figures from the past. Nilkumud [Indibar] Barua, *Jivandarsha*, Calcutta, 1891. In the 1950s, Benudhar and other publicists began organising an annual commemoration of Maniram Dewan, on the anniversary of the latter's death, at his native village of Charing in Sibsagar.
[56] Griffiths, *Indian Tea Industry*, pp. 61-3.
[57] Antrobus, *Assam Company*, p. 343.

All the sources claim that Maniram applied for waste land grants but was unsuccessful, had to purchase land and had to pay land revenue charges of Rs. 500 for 2,000 bighas [approximately 700 acres]. Dutta[58]claims that his application for grants was "vehemently opposed by Charles Alexander Bruce and other planters", which is unlikely, since Bruce had been dismissed as The Assam Company's Superintendent of the Northern Division in 1842[59] (although he may have set up as a planter independently – he lived until 1871). Dutta also claims that "concessional fee simple grants of waste land were available to European planters at ludicrously low rates, but not for their native counterparts", but the fee simple rules were not made until 1862. The MRB website and Gupta also refer to "vehement opposition" and "the open hostility of the Europeans", but without reference to source. Sharma writes of Maniram's "ineligibility as a 'native' to enjoy the same government concessions as other planters" but does not show a source for this: there is nothing in the Waste Land Grant rules to support the contention. She goes on to contend that Maniram's suspension by the Assam Company was discriminatory: "No white entrepreneur faced this kind of retribution."

Finally, the MRB website and Gupta suggest that "his tea gardens having been opened in the face of the undisguised hostility of the European planter community, the latter bided their time to teach the upstart native a lesson", and were behind the decision to arrest and execute him. Dutta is even more explicit in his accusation:

> At the instigation of the planters Maniram was arrested...Not content with having physically eliminated their adversary, the European planters forced the authorities to distribute the Dewan's properties amongst them and these were later auctioned. The crushing of the spirited Dewan was a warning to all local people that independent entrepreneurship by the natives would not be tolerated by the British masters.[60]

The Williamsons applied for a lease of 720 acres at Cinnemara in 1853, and began cultivation at once, which casts some doubt on the claim that Maniram owned the garden there, and that it was auctioned off after his execution in 1858 "at a

[58] Dutta, *The Khongiya Barooahs*. p. 47.
[59] Griffiths, *Indian Tea Industry*, p. 66.
[60] Dutta, *The Khongiya Barooahs*, p. 47.

throwaway price"[61] to George Williamson. Another, perhaps ironical, inconsistency is that Dutta, later in his book, wrote:

> Bisturam must have learnt about tea directly from the legendary Williamsons... The relationship with the Williamsons transcended mere commercial association and became personal and intimate. It was Captain Williamson and Williamson Magor & Co who acted as the guide and guardian of Bisturam Barooah in his first foray into tea planting. The close association with Williamson Magor & Co lasted for over three quarters of a century till Bisturam's grandson, Emend Prasad, broke away in 1952... The deterrents before native planters, the major one being acquisition of land, were many. Had it not been for his intimate rapport with the Europeans, perhaps becoming a planter would have remained a pipe dream for him. But European acquaintances, when sounded out, agreed to help him because of his special relationship with them. With their assistance Bisturam Barooah secured a land grant to open up Thengalbarie Tea Estate...[62]

The determination of some Indian and Assamese historians to demonstrate that British hegemony not only dispossessed Assamese peasantry but actively and brutally sought to prevent indigenous participation in the development of the tea industry seems to have led them into making exaggerated claims which have not been substantiated. It would be unfortunate if repetition should be allowed to apply a patina of plausibility.

None of the evidence shows any attempt to exclude indigenous participation until the somewhat exceptional conditions in the Dooars in the 1920s, either at official or non-official levels.

The foundation of Williamson Magor

Captain James Hay Williamson applied for the job of Calcutta Agent for the Jorehaut Company and was offered it at a salary of Rs. 200 a month (£10,000 a year at current values). He turned this down, in a letter cited by Antrobus, dated 11 August 1859,[63] suggesting a salary twice as large and calling the offered salary "a pittance" and claiming that "an injudicious parsimony is prejudicial alike to

[61] Sharma, *European tea 'garden'*, p. 21, citing Anjan Kumar Baruah, *Assamese Businessmen from Maniram Dewan to Robin Dutta*, Guwahati, 1992, p. 10.
[62] Dutta, *The Khongiya Barooahs*, p. 51.
[63] Antrobus, *Jorehaut*, p. 22.

the credit, dignity and efficiency of the Company's officers". Antrobus says that a note in the margin of the Minute Book states that Williamson had been obliged to leave India on account of his health, and "was not now in a position to take the Agency". The Board then appointed T. E. Carter, who was also the Secretary of the Assam Company. Williamson's absence cannot have been very long, because he was certainly back in Calcutta in 1862, when Carter left in the wake of the revelation of his dual loyalties. He took over as Agent temporarily, while George Williamson lent the Company Rs. 10,000 to tide them over until a new bank authority could be arranged. Begg, Dunlop were then appointed as Managing Agents, as we have seen.

Antrobus suggests that Williamson may have been acting as Agent for the new East India Company, of which his brother George was a promoter, as well as for his family's other interests. The chronology appears to be that Williamson first worked for the Ganges Company, commanding the steamer *Ghazipur,* which sank in 1852, when he joined the India General Steam Navigation Company, commanding the *General McLeod* and the *Madras.* In 1862 he left the IGSN Company to form a rival concern, the New Rivers Company, with David Begg as a major shareholder, and when he left in 1865 to found Williamson, Magor, Begg, Dunlop were appointed as Managing Agents.[64] There is another cross-connection here with William Mackinnon's activities, since when the company went into liquidation after Begg's death in 1868, the Mackinnon group bought it from its original owners, putting up more than 50% of its initial capital.

At all events, Captain Williamson will have been a man of means, given his shareholdings in Jorehaut and New Rivers, and an experienced entrepreneur. He was also a director of The Great Eastern Hotel, where he met Richard Blamey Magor, who was an assistant there, possibly in 1866. Magor came from Cornwall and had been an apprentice with Vivians. whose main interests were in copper, before joining the accounts department of the Great Eastern, when the copper market hit hard times. In April 1869 they entered into a formal partnership.[65]

[64] Sir Percival Griffiths, *A History of the Joint Steamer Companies,* London, 1979, p. 27.
[65] Pugh, *Williamson Magor,* p. 32.

By this time there were several managing agencies operating in Calcutta, including, as we have seen, Bird's, Mackinnon Mackenzie and Gillanders Arbuthnot, but also Andrew Yule, Balmer Lawrie, Schoene Kilburn, Shaw Wallace, Turner Morrison and Playfair Duncan, but few of them yet active in the tea industry. However, the new partnership flourished, doubtless aided by the resonance of the Williamson name as well as by the energy of Richard Magor. Within a few years they were acting for some thirteen tea companies and had established a leading position as tea experts which was never to be challenged, even as the number of managing agencies more than doubled in the next twenty years.

Griffiths records the nine founding members of the Indian Tea Association in 1881 as:

A.W. Wilson	nominated by Messrs	Jardine, Skinner & Company
J.H. Edwards		Gillanders, Arbuthnot & Company
R. Williamson		Finlay, Muir & Company
D.F. Mackenzie		Macneill & Company
R.B. Magor		Williamson, Magor & Company
A. Simson		Schoene, Kilburn & Company
D. Cruickshank		Begg, Dunlop & Company
Leslie Worke		Octavius Steel & Company
P. Playfair		Shaw, Finlayson & Company[66]

It is surprising that Balmer Lawrie & Company is missing from this list, given that Alex Lawrie had been one of the founding members of the Indian Tea Districts Association when it was founded in 1879 – along with George Williamson, Richard Magor and William Roberts (of the Jorehaut company). The absence of Duncan Brothers & Company, who were later to manage one of the largest tea portfolios in Calcutta, is explained by the steep decline in their fortunes following the defection of some senior staff in 1877 to join P. Playfair at Shaw, Finlayson, taking all but one of their tea company agencies with them.

It is significant that tea interests were represented exclusively by the managing agencies, and not by the proprietor/planter companies themselves, who had not succeeded in uniting to take action in their common interest. Three years later the Indian Jute Manufacturers' Association followed suit, with the producing companies exclusively represented by the managing agencies. Although the

[66] Griffiths, *Indian Tea Industry*, p. 525.

managing agencies typically held shares in the companies they promoted and managed, they were very seldom majority holdings: but they exercised effective control partly through their formal authority as Company Secretaries and partly through informal influence. This could often be heavy-handed, as the Balmer Lawrie archive shows. In 1884 Alex Lawrie wrote to a proprietor:

> Were it not that I understand Mr Lister is anxious on sentimental grounds to retain the services of Mr Werry I would recommend that a change be made at the end of this season in the local garden management – Mr Werry may be the most industrious manager in Assam but the quality of his tea is so inferior and his capacity for making excuses is so rich that I (personally) have lost confidence in him – the tea sent home last year realized the lowest average price of any crop consigned to us from Assam being only 9d.90 nett. The manager at first blamed the fact to Mr Lepp's instructions, then to the insufficiency of labour and on getting extra labour to the absence of machinery then to the agents for sacrificing the tea in the market and on getting the machinery he blamed the construction of the machine. The first invoice of the 1884 season has arrived and having been so badly manufactured has only realized the absurdly low price of 7d.88 for the nett.[67]

But this citation from the Williamson, Magor archive of a typically harsh letter from Richard Magor in London to R. B. Williamson (J.H. Williamson's son), in Calcutta in May 1908 upbraids him for going too far:

> Your partners view with considerable misgiving and alarm the possible effect of the tone and matter of your correspondence with the various managers…I pointed out to you…that our position as agents did not warrant our adopting a superior tone in our correspondence with managers, and that it was extremely undesirable to show any want of courtesy to them.[68]

Nevertheless, in spite of the self-criticism, the firm was demonstrably successful. Pugh records that by 1895 the Calcutta and London partnerships were managing 44 tea estates, with a total acreage under production of 35,000 acres, producing about 14 million lbs of tea.[69]

[67] Uncatalogued papers held privately by Camellia plc.
[68] Pugh, *Williamson Magor*, p. 45.
[69] *Ibid.*, p. 42.

Chapter 5

JAMES FINLAY & CO.

The impact on Indian commerce of a mature and well-funded Scottish business, which developed major interests in tea and jute, and suffered from the fatal decline of indigo.

Introduction

The early history of James Finlay & Co differed substantially from that of the Managing Agencies which were set up in the 1860s, even though it came to be similar in many respects to the developed businesses which flourished in North East India in the twentieth century. Finlays' was the oldest-established of the firms, having its business roots in Scotland in the 1760s; and by the last decade of that century it was already relatively wealthy, with assets of £12,000 (£675,000 at today's values). By the 1870s, when the firm opened its Calcutta office and began the rapid expansion of its Indian interests, it was a mature business with assets of £1,500,000 (£6 million at today's values), making it far wealthier even than the well-established Mackinnon, Mackenzie firm, and allowing bolder acquisition and development policies than the less well-heeled agencies could afford. Only Gillanders, Arbuthnot & Co had a comparably firm financial footing in the mid-nineteenth century, founded on the Gladstone family's successful West Indies trading in the late eighteenth and early nineteenth centuries.

Finlays' also resembled the Gladstone firms in the strong dynastic character of their partnerships. It was rare for other than family members to achieve positions of great seniority, and the Finlays' succession extended to three generations and three dynasties: the Finlays and their cousins the Buchanans;

the Kays; and the Muirs. Like the Gladstones, the Finlay partners were well-trained and experienced in business management, often with a distinguished public career.

Unlike the Gladstones, however, the Finlay dynasties remained resolutely Scottish, and seemed to favour the employment of Scots well into the twentieth century. It is clear that the two firms did business with each other in the early days. Writing in 1837 to his son Alexander Struthers Finlay in Bombay, Kirkman Finlay said: "I sent you some extracts of letters I have had from Mr Gladstone, who I am sorry to say has left a great part of the Tea sent by Turner & Co for their account as inferior to Invoice."[1]

Three months later Kirkman Finlay wrote again: "Mr Gladstone was with me lately, and I am sorry to hear from him so very poor an account of Sir John's affairs. He is selling off everything – all his ships for what they will bring."[2]

The "advice and aid" of [Thomas] Steuart Gladstone (Sir John's nephew) was acknowledged in the recruitment of a new partner for Bombay, and it is interesting to see that Kirkman Finlay was a signatory to the Memorandum of Partnership – "Kirkman Finlay agrees on behalf of Ritchie Steuart & Co"[3] – although Brogan says that James Finlay & Co were no longer in that partnership after 1828.

When the "Kirkman Finlay" sailed for Canton in 1834 (after the EIC monopoly in China came to an end) a John Macadam Gladstone was supercargo, but he is not identified in the Gladstone family archive.

Viewed from the perspective of previous Finlay and Kay generations, John Muir seems a youthful heir, but in fact by the standards of Calcutta in the 1870s he was one of the older generation – like the Gladstones, a mature manager of a mature business. Born in 1828, he was forty-four when Finlays' Calcutta Branch was

[1] Kirkman Finlay to Alexander Struthers Finlay, Glasgow, 26 May 1837, Glasgow University Archive, UGD91/1/3/3/1. The tea will, of course, have come from China.
[2] *Ibid.*, Glasgow, 30 August 1837. No such crisis seems to have been noted in Checkland, *The Gladstones.*
[3] *Ibid.*, Glasgow, 23 September 1837.

founded in 1872, at a time when the tea industry was being re-constructed after the "tea mania" of the 1860s. He was fifteen years older than Alex Lawrie, of Balmer, Lawrie, and more than twenty five years older than Lawrie's partner James Nicholson Stuart, Henry Neville Gladstone of Gillanders, Arbuthnot and Ernest Cable of Bird & Company. He was only five years younger than the pioneering Sam Bird, and than William Mackinnon, the latter having effectively lost interest in India by 1870, in favour of his East African preoccupations.

Finlays' differed sharply from the other firms in that from the beginning of the nineteenth century and until the 1870s it was predominantly a cotton manufacturing business: its trading interests were principally concerned only with selling its own production and buying in its raw materials. It was this latter function which led it to develop a strong presence in Bombay, seeking new sources of raw cotton to replace the supplies lost during the American Civil War. The cotton manufacturing business in Scotland survived into the mid-twentieth century, and was parallelled by cotton mills in Bombay, although their managing agency business, and particularly their extensive interests in tea and jute, accounted for the considerably larger proportion of their activities by the end of the nineteenth century.

To understand the firm's inherited values (and indeed the origin of its wealth) requires a preliminary study of its eighteenth century beginnings and the context in which they were made.

The early history of the firm[4]

The eponymous James Finlay was born in 1727, the youngest of ten boys, in Killearn, some fifteen miles north-west of Glasgow. He went to Glasgow, set up in business as a cotton merchant, and by 1769 had been "admitted as a Burgess". The merchanting business will have been concerned with supplying raw cotton, buying in piece goods woven on domestic hand looms from home-spun yarn and selling on to local and probably foreign markets. Brogan speculates that, in the early days at least, James Finlay would have toured the district on horseback with pack animals. By the time he died in 1790 the firm had assets of nearly £12,000 (£675,000 at today's values).

His younger son Kirkman Finlay was born in 1772, and took over his father's firm at the age of eighteen. The firm bought the Ballindalloch Mill in 1793, the Catrine Mill in 1801 and the Deanston Mill in 1806. They thus became major cotton manufacturers, at the heart of the Industrial Revolution – Arkwright himself trained Archibald Buchanan, a Finlay cousin, and was entertained by James Finlay when he visited Glasgow in 1783; Robert Owen's humanitarian policies, pioneered at the New Lanark Mill, were evidently followed by Finlays. Their business now included exports to Continental Europe, and they actively "ran" the Napoleonic blockade after the Berlin and Milan decrees of 1806.

Kirkman Finlay was an energetic participant in public life – he was elected the MP for the Glasgow district of the Burghs in 1812, a few days after his election as Lord Provost of the City; he was four times President of the Chamber of Commerce; and was Rector of Glasgow University. He was a champion of free trade, and lobbied hard and successfully against the East India Company's monopoly in 1813 and again in 1830. When he moved towards retirement he built himself a grand Strawberry Hill Gothic castle, Castle Toward, overlooking Rothesay Bay in Argyllshire . Five years after his death in 1842 a statue of him was erected in the Merchants' House. It was still to be seen in the vestibule in 1950, presumably removed to the new 1874 building.

---

[4] The principal source for this section is [James Finlay & Co.] (Colm Brogan), *James Finlay & Company Limited: Manufacturers and East India Merchants 1750-1950*, Glasgow,

After the curtailment of the EIC's monopoly Finlays' sent the *Duke of Buckinghamshire* out to Bombay in 1816, the first ship to clear for India from the Clyde. On board were James Ritchie and Robert Steuart, who set up a firm there in partnership with James Finlay & Co and a Manchester firm. Finlays pulled out of the partnership in 1828, but continued to do business with the firm, where Kirkman's fifth son Alexander Struthers Finlay was a partner. Press copies of Kirkman's letters to his son, written in 1835 and 1836, are in the Glasgow University archive.[5]

A new dynasty succeeded the Finlays – the Kays. The Kay dynasty first appears in 1849, by which time Kirkman Finlay and three of his five sons – James, Thomas Kirkman and Robert – had died. A fourth, Alexander Struthers Finlay, had retired. Only John Finlay was left, and Brogan finds nothing to say about him except that he died in 1873. James Buchanan, Archibald senior's nephew, and Archibald Buchanan junior were junior partners. On Kirkman Finlay's death the partnership was evidently looking for an exit from the business: they closed their connection with the London partnership of Finlay, Hodgson, and put the three cotton mills up for sale. Only the spinning mill at Ballindalloch found a buyer.

Exceptionally, a non-family member, and an employee, James Clark, was brought into the Finlay partnership in 1849, and very shortly thereafter he negotiated an "association" by entering in addition the partnership of Wilson, James & Kay. This firm had begun as cotton yarn and goods agents and had added the agency of Gladstone, Wyllie & Co. (who had been established in 1840) in Calcutta as well as a firm in Bombay. They took over Finlays' operations in Glasgow, including sales. In 1858 the two firms amalgamated under Finlays' name, and Alexander Kay became a partner in the new firm, along with John Wilson. James Buchanan, Archibald Buchanan's nephew, had left the partnership in 1856, but Archibald junior stayed on, to retire to the country in 1883 with the proceeds of selling his

privately published, 1951.
[5] Glasgow University Library, UGD91/1/3/3/1.

interest for £170,000. He died in 1890, the last of the Buchanans in the Finlay business.

Alexander Kay's son James[6] started as an assistant in the Bombay branch before being transferred to Calcutta in 1870. In 1871 he contracted dysentery and had to return home. After a further short period of service in Bombay he was in charge of the piece goods department at Head Office, and became a director when the private company was set up in 1909. He died in 1911. His son James Reid Kay was *burra sahib* in Calcutta in the 1930s, was President of the Bengal Chamber and was knighted.

The Muir dynasty

Meanwhile a third dynasty had made its appearance with John Muir, who married Alexander Kay's eldest daughter in 1860, and was introduced into the partnership the following year, along with his brother Hugh Brown Muir. Brogan does not suggest any other connection, but he reports that John Wilson made a private arrangement to transfer his interest in the firm to the Muir brothers when he retired in 1862, and also agreed to lend them £30,000 – a substantial amount. It seems likely, therefore, that it was the Wilson, James & Kay connection, possibly deriving from a family relationship with John Wilson, which first brought the Muirs into the business, and which encouraged John Muir's focus on business opportunities in India.[7]

[6] James Kay was the author of the typescript history in UGD91/11/6/1.

[7] It is also possible that there was a connection with John Muir's father, James, who was a partner in Webster, Steel & Co., which later developed interests in South America and South Africa. John Muir himself became a partner when his mother died in 1874 (his father having died in 1864) and the firm became closely associated with Finlays in South Africa. It was eventually acquired by Finlays in the twentieth century. See Brogan, *James Finlay,* pp. 77-79.

Hugh Brown Muir subsequently opened an office for the firm in London in 1871. He retired in 1873, as did Alexander Kay: John Finlay, the last Finlay in the firm, died in the same year. Archibald Buchanan and John Muir were then left as the only proprietary partners of a firm with assets at 31 December 1874 of £1,500,000 (over £6 million at today's values). John Muir had built up the larger amount of partnership capital, £173,434, and Archibald Buchanan had £123,889. In 1881 Archibald Buchanan retired, and agreed that John Muir should continue the business rather than close it down, so that Muir became the sole proprietary partner.

John Muir was born in 1828 and educated at the Glasgow High School and the University of Glasgow. He followed the example of his predecessor Kirkman Finlay by pursuing an energetic public life, not least by himself becoming Lord Provost from 1890 to 1892, after being on the Town Council from 1886 to 1889. He was Vice-President of the 1888 Glasgow Exhibition, being responsible for the India and Ceylon section, greeting Queen Victoria there, but unlike Kirkman Finlay he did not stand for Parliament. At the end of his term as Lord Provost John Muir was created a Baronet. He was, like William Mackinnon, a "strong Free Churchman. He was a schoolboy at the time of the Disruption, and he grew into manhood with the growth of the new church. All his life he was a loyal supporter of the church and of the congregations of St George's, Glasgow, and of Kilmadock, Perthshire, in particular."[8] To an extent, however, this stern, non-conformist profile is belied by the photograph in Brogan's *History* (facing p. 46), showing a bearded and floridly coiffed Muir in his Baronet's robe, displaying his Provost's chain of office.

He had four sons, each of whom came into the business. Alexander Kay Muir, the eldest, and James Finlay Muir were put in to manage the Calcutta Branch, as we shall see, and came to run the whole business in Glasgow after Sir John Muir

[8] Brogan, *James Finlay*, p. 53. Brogan seems to have derived his account of John Muir's life largely from the promotional pamphlet *James Finlay & Company Limited (Formerly Finlay, Muir & Co.)*, Calcutta, 1922, Glasgow University Archive, UGD91/1/11/6/2. The pamphlet adds that Muir was an Elder of the church, and Deputy Lieutenant of the counties of Ayr and Lanark and of the county of the City of Glasgow, as well as Honorary Colonel of the 4th Volunteer Battalion of the Cameronian Scottish Rifles, a J.P., and Chairman of the Clyde Navigation Trust.

died in 1903. Alexander Kay Muir inherited his father's title and retired in 1926; his brother James Finlay Muir succeeded him as Chairman, retiring in 1936. John Buchanan Muir was a director and shareholder at the time of the public flotation in 1924, but the youngest, Matthew William Muir, was killed in an accident on the hunting field in 1922,[9] having been *burra sahib* in Calcutta from 1909 to 1911[10].

A third Muir generation also went into the business. James Finlay Muir's son John Harling Muir was made a director of James Finlay & Co. in 1946[11], and inherited the baronetcy in 1951, on the death of his uncle Sir Alexander Kay Muir, whose own son John Buchanan Muir died earlier.[12] A. M. McGrigor, who was Chairman of James Finlay at the time when Brogan's book was written in 1950, and who had also been *burra sahib* in Calcutta, was another grandson: his mother, Margaret Muir, was the third of John Muir's six daughters, married to a Glasgow solicitor.[13]

Sir John Harling Muir became head of the company, and presided over Finlays' ultimate withdrawal from India in 1983, when they sold their remaining interest in Tata-Finlay, the rupee holding company formed in response to the punitive Foreign Exchange Regulation Acts of 1974-76, which restricted foreign shareholdings in tea companies to 74% - itself a concession which recognised tea's value in earning foreign exchange: other foreign-owned companies were subject to a lower limit. Stephanie Jones cites the narrative of these events by Sir Colin Campbell, then Calcutta chairman.[14] Also cited is Monica Clough, whose husband became *burra sahib* of Finlays' in Calcutta, who wrote that: "There was a good relationship between Sir John Muir and J.R.D. Tata. It started as a personal friendship between these two magnates."[15]

---

9 Brogan, *James Finlay* p. vi.
10 *Ibid.*, p. 96.
11 *Ibid.*, p. ix.
12 *Ibid.*, p. xix.
13 *Ibid.*, p. 53.
14 Stephanie Jones, *Merchants of the Raj*, Basingstoke, 1992, pp. 327-8.
15 *Ibid.*, p. 267. J.R.D. Tata, a Parsee from Gujarat, was head of a very big, largely family owned, conglomerate in Bombay. They owned Air India before it was nationalised.

The Bombay firm

In 1862, prompted by the drying up of raw cotton supplies from America as a consequence of the Civil War, the first Finlay-owned firm outside Britain – Finlay, Clark & Co.[16] – was established in Bombay, then experiencing boom conditions as the price of cotton soared.

> The mills at Catrine and Doune were entirely closed for lack of cotton, but the workers were not dismissed to look after themselves. Through all the period they were paid half wages, and the educational facilities were extended, so that youths formerly employed should have five hours teaching a day…the payment of wages cost…£13,000 a year.[17]

Sourcing raw cotton for the Scottish mills was a priority for the new firm, and one which could presumably not be left to the long-standing arm's length relationship with Ritchie, Steuart. Hugh Brown Muir evidently went to Bombay to oversee the firm's formation, and continued to take a close interest in it thereafter.

The firm were not exclusively cotton buyers, although by 1868 they could claim to be the largest exporters of raw cotton to Europe.[18] They were also importers of cotton piece-goods and yarn from Scotland, and had a small miscellaneous trading business. The ending of the American Civil War reduced the importance of Indian raw cotton exports, but imported cotton piece goods continued to flourish.

It was investment by Finlays Head Office in Glasgow "at the instance of John Muir"[19] rather than any local initiative which generated the major extension of the business into shipping, with the appointment of the branch as agents for the "County" sailing ships and the Clan Line steamships. The survival of the sailing ships was only brief, but the connection with the Clan Line was still extant in 1950. Brogan dates this to 1878, when the first sailing to India (by the "Clan Alpine") was on 26 October, but Marr's history (to which Brogan evidently had

[16] The name was changed to Finlay, Muir & Co. in 1870, when the Calcutta office was opened under that name.
[17] Brogan, *James Finlay*, p. 45.
[18] *Ibid.*, p. 86.
[19] *Ibid.*, p. 87.

access) reports an agreement dated 1881 to handle sixteen Clan Line steamers[20], and a memo to Finlay, Muir in Calcutta, dated 20 December 1883, listing twenty-five steamers. He details the ownership shares as one third James Finlay &Co., one third Finlay, Muir Bombay and one third Finlay Muir Calcutta,[21] with Clan Line merely operators, which was not an abnormal situation in the shipping industry.[22] In 1885 an agreement was made for "our Calcutta friends, as the largest shippers of tea" to buy 1000 chests of tea for shipping in each steamer, presumably as an exemplary contribution towards the economics of early voyages.[23]

Clan Line was managed by Cayzer, Irvine & Co. in Glasgow, and the connection led in an unexpected direction when Sir Charles Cayzer visited Bombay in 1902 and "agreed to acquire the Swan Mill"[24], an evidently run down cotton spinning concern. Finlay, Muir, presumably as Managing Agents, modernised the plant and installed a weaving shed with six hundred looms, as well as a small dye shed, so that at last Finlays were cotton manufacturers in India. Swan Mill was floated as a public company in 1908.

Soon afterwards Finlays decided to build their own mill, with thirty thousand ring spindles and six hundred looms, which was also floated as a public company, and with their appointment as Managing Agents of Gold Mohur Mills in 1924 Finlays were significant players in the Indian cotton industry into the 1950s.

---

[20] W.H. Marr, unpublished draft typescript history of Finlay & Co. dated Calcutta, 1928, Glasgow University Archive, UGD91/11/6/1., 'The Business during 1881-1885", p. 1. Marr became a director of James Finlay & Co., Ltd. in Glasgow in 1933 and Deputy Chairman in 1949, having been President of the Glasgow Chamber of Commerce (Brogan, *James Finlay*, pp. ix-x.)

[21] Shares in vessels were (and still are) more conventionally expressed as fractions of a total of 64 . Thus one third represents 21/64ths.

[22] Brogan, *James Finlay*, pp. 2-3.

[23] *Ibid.*, p. 5.

[24] *Ibid.*, p. 88.

The Calcutta firm

Gladstone, Wyllie had been Finlays' correspondents in Calcutta since the amalgamation with Wilson, James & Kay. However, according to James Kay: "In 1870 when the connection with Gladstone, Wyllie was severed by their deciding to open in Bombay…it was decided that a counter movement should be made in Calcutta and J. A. Anderson and James Kay were transferred there to open the firm of Finlay, Muir & Co in September 1870."[25]

The firm seems to have got off to a slow start: its name appeared for the first time in the Bengal Directory in 1872, with only one listed agency – for the Scottish Imperial Fire and Life Insurance Co., and their correspondents named as James Finlay & Co. in Glasgow and W. Strang, Steel & Co., Finlays' associate in Rangoon.[26]

The first few years of the Calcutta branch were marked by stormy relationships with Glasgow. Marr cites a number of angry letters from Leslie Worke, who became *burra sahib* in 1875, complaining about the "objectionable" tone of letters from Glasgow. On 31 December 1875 he wrote "I now beg further to return for Mr. Muir's perusal [two letters]…I shall be glad to know whether Mr. Muir approves of them and whether, disapproving them, he cannot check them…no man of ability or independence would submit tamely to insults of this kind."[27] He left after a year to join Octavius Steel & Co., and was succeeded by Robert Ewing, but what Brogan discreetly refers to as "disagreements" arose with Glasgow, and he too left in 1879, to form his own firm. Eventually stable management came with the promotion of Robert Williamson to succeed Ewing. James Kay states that Williamson joined the Bombay office from Glasgow as an assistant in October 1870,[28] one of the first assistants, but Marr adds that

> he seems to have left the service early in March 1876, as when leaving for home he sold up. He came back in the autumn, however, as Glasgow wrote in August of that year that they had entered into a new agreement with him. He was on

[25] Glasgow University Archive, UGD91/11/6/1, typescript dated Glasgow, 2 March 1908.
[26] Marr, typescript history, 'The Founding of the Business 1870-1875, p. 1.
[27] *Ibid.*, p. 15.
[28] James Kay, typescript, 1908, n.p.

> leave in 1879, and became head of the [Calcutta] firm on his return when Mr. Robert Ewing left. He was *burra sahib* until 1890, when he left India and went to London. He was largely interested in the Chabwa Tea Co., and was a Director of the National Bank of India until about 1924. He died in 1926.[29]

He wrote detailed "handover" notes for his successor as head of the Calcutta firm, Allan Arthur, dated March 1890, and added in a letter dated 20 March 1890[30] that when he got home he was going to stay with his brother George Williamson in Scotland. It is tempting to speculate that this was one of the George Williamsons of Williamson, Magor, but there is absolutely no evidence for this. George Williamson Senior had started their London office in 1875, and according to Pugh "survived – in retirement in Scotland – until he died in 1903 at the age of 99."[31]

The first major undertaking through the Calcutta firm was to enter the jute industry. The decision to do so sprang from a Glasgow initiative, probably by John Muir, who was to become sole proprietary partner in 1873. Following their investigation of investment opportunities in Bengal a jute baling factory – The East Bengal Company – was floated in 1872 (it was later re-named the Goolabarry Jute Co.). The following year the Champdany Mill was floated, and Glasgow instructed Finlay, Muir to detail an assistant with Dundee experience to live on site and supervise the business. In 1881 Wellington Jute Mill was acquired by the Champdany company – it had first been established in 1855, according to Wallace's table of jute mills and their capacities in 1909[32], which shows that Finlays' were only middle-sized operators in jute manufacture, with a total of 780 looms, as against the big players such as Thos. Duff, with over 3,700 looms.

Indigo and jute matters dominated the proceedings of Finlay, Muir's Calcutta management meetings, but they touch on a wide variety of other commercial activities, covered by separate reports not in the archive. These included:

---

[29] Marr, typescript, n.p.
[30] Glasgow University Archive, UCD91/11/2/3/2.
[31] Peter Pugh, *Williamson Magor Stuck to Tea*, Cambridge, 1991.
[32] D. R. Wallace, *The Romance of Jute: a Short History of the Calcutta Jute Mill Industry, 1855 – 1909*, Calcutta, 1909, pp. 56-57. For a fuller account of the jute industry, see pp. 49-56 of this thesis.

piece goods
insurance
coal
shipping (the firm had the Clan Line agency)
trade with South Africa (Webster, Steel & Co.)
hessian sales to Marshall Field in Chicago
produce

"Produce" covered a long list of commodities:

cotton	indigo	shellac
hemp	saltpetre	india-rubber
jute	castor oil	ginger
silk	hides	tea
tobacco	skins	sugar
rapeseed	bristles	rice[33]
linseed	poppy seed	

The peculiarity of these minutes is that they virtually ignore the firm's tea interests, presumably because they were dealt with quite separately. Finlays grew to be probably the largest tea company in the world before they sold out their Indian interests after Independence, but the archives – and even the secondary sources – provide frustratingly little detail of the way in which this massive business was built. The Glasgow University Archive contains the Reports and Accounts of 167 tea gardens[34], and Brogan shows a table of acreages under tea in 1949 totalling 88,740 acres.[35] These figures dwarf those of Williamson, Magor, otherwise the Managing Agency with the largest tea interests, who were managing 44 tea gardens in 1895, with a total acreage under tea of 35,000 acres.[36]

Finlays' started relatively late in tea, after John Muir had become sole proprietary partner – doubtless not coincidentally. "The year 1874 seems to mark the commencement of the tea garden agency business, as there are ledger accounts…for Nonoi and Sootea tea gardens."[37] Brogan states that more agencies came to the firm in 1877, and that by 1881 there were sixteen agencies on the books. Brogan attributes this expansion in part to Finlays' liberality with

[33] Marr, typescript history, "The Business in 1876-1880", p. 14.
[34] Glasgow University Archive, UGD91, Appendix III.
[35] Brogan, *History*, p. 106.
[36] Peter Pugh, *Williamson Magor Stuck to Tea*, Cambridge, p.45.
[37] Marr, typescript history, "The Founding of the Business 1870-1975", p. 11.

advances on hypothecation of crop sales, and suggests, perhaps wrongly, that as a result Finlays became principals rather than agents.[38] However, the competitive exercise of financial muscle was undoubtedly a factor in their success. In 1883 it was causing pain at Balmer Lawrie:

James Nicholson Stuart in Calcutta wrote on 1 September 1883 to Alex Lawrie in London:

> ...Your remarks about not getting new agencies are noted, but scarcely apply, I think. Had we a lot of money we should have no difficulty in getting agencies for tea gardens but in the face of large advances made by Finlay Muir & Co it is impossible for us to compete.... We have not enough funds for outlay advances, much less for block debts. Take Lunaikhall, Rupui, Silloner Barree and Koleapani; there is a cash outlay of Rs 39,000/-. I daresay you might do like Begg Dunlop & Co and get open credits on London, but if tea got into low water where should we be?[39]

Muir seems to have relied on two outside experts for pushing the tea interests forward – P. R. Buchanan and Thomas McMeekin. Brogan states unhelpfully that: "it is not known how P. R. Buchanan came to be associated with Sir John Muir, but he was of the utmost assistance to the latter in establishing James Finlay & Co. in some of the finest tea properties in Sylhet and South India. About 1880 Finlay Muir & Co. became agents for the P.R. Buchanan group of tea estates."[40] Presumably Brogan's enthusiasm for the family's history would have uncovered any connection with James Finlays' Buchanan cousins, so we can assume there was none.

Patrick Buchanan had been in tea since he was a young man, himself owned a number of tea estates, and his firm were Managing Agents for nineteen estates in 1877, although Brogan states that in 1880 Finlay, Muir became agents for the Buchanan estates. There is no information on the nature of the relationship between the Finlay and Buchanan firms until 1894, when "James Finlay & Co. became partners in P. R. Buchanan & Co. ...[following] financial assistance rendered by James Finlay in the grimly difficult years between 1890 and 1893".[41]

---

[38] "Hypothecation" was (and still is) a legal term for mortgage. It was not specific to the tea industry.
[39] Camellia archive, uncatalogued.
[40] Brogan, *James Finlay*, p. 104.
[41] *Ibid.*, p. 82.

In 1901 Patrick Buchanan returned to India as General Manager of the Finlay Group Tea estates in South India. Brogan identifies Buchanan's as an "Associated Firm".

Thomas McMeekin, a "practical agriculturalist" was introduced to Finlays by Buchanan, whom he had been advising. He had an interest in a number of tea estates, and in 1880, when he fell out with Octavius Steel, his Managing Agents, he took the business to Finlays', "apparently at the price of financial support".[42] He was employed by Finlay Muir as head of the newly-formed Tea Department (in which, according to Marr, he had an interest) until 1884, when he fell out with the South Sylhet Company (in which he also had an interest) over the extension of his private tea interests without their permission. His agreement was due to expire at the end of 1885, but "in a letter to Mr. Williamson dated 1 March 1885 he confirms wires asking that the partnership should be dissolved, though the connection still lasted for some years."[43] This connection was through his firm MacMeekin & Co., to which Muir provided additional finance so that Finlay, Muir could continue to ship teas to London on McMeekin & Co.'s account, "while the firm provided expert assistance in tasting and valuing teas and in buying on the Calcutta market". Nevertheless, he removed the agencies for his tea estates from Finlay, Muir.[44]

John Muir himself was personally responsible for a bold development in Finlays' tea interests – the purchase and development of plantation land in Travancore, South India. Griffiths writes that the original Concession from the Pooniate Raja was obtained in 1879 by John Daniel Munro, sometime Superintendent and Magistrate of the Cardomon Hills Division in Travancore. For 227 square miles in the Kanan Devan Hills he paid Rs.5,000 with a promise to pay an annual sum of Rs.3,000. The Raja's right to make the grant was disputed by the Travancore Government, but they were eventually forced to recognise its validity. Munro and others formed the North Travancore Land Planting & Agricultural Society, and planted coffee and cinchona, but the cinchona market collapsed, defeating

[42] Brogan, *James Finlay*, p. 104, and Marr, typescript history, "The Business in 1876-1881", pp. 3-4.
[43] Marr, *Ibid.*, p. 8.
[44] Brogan, *James Finlay*, pp. 104-105.

some of the few resident European planters. In 1893 Muir toured the High Range with P. R. Buchanan and decided to buy out the concessionaires, using the North and South Sylhet companies as the vehicle. Subsequently many more individually owned properties were acquired.[45]

In 1926, when James Finlay Muir took over from Sir Alexander Kay Muir as Chairman of James Finlay & Co. Ltd., he spoke at the Annual General Meeting of his father's Travancore initiative, and of his own visit there in November 1894 soon after its acquisition:

> At the time the only means of access was a rough bridle path which, starting from the plains some fifty miles distant from the railway station, rose from an elevation of about 1,800 feet to 5,600 feet, where it entered the Concession, and the planted acreage consisted of some Cinchona and a little Coffee and Tea.[46]

He went on to describe the then current situation, with 19,000 acres under tea, and a primitive transportation system:

> There are good roads connecting Munnar, the centre and Head Office, with the plains on the North and with the Ghauts [*sic*] on the East, but while the former is a useful outlet, the bulk of the Company's traffic is carried on an aerial ropeway which runs from Munnar to the last mentioned point, a distance of fifteen miles. There, at an elevation of 6,200 feet, connection is made with the plains by another ropeway, two-and-a-half miles long, and from thence to what will soon be a railway station, owing to an extension of the South Indian Railway, is only ten miles.[47]

Not long after the Travancore acquisition, Finlays reorganised the individual tea companies into four limited liability holding companies: Consolidated Tea & Lands Co., Ltd., which was floated in 1896 to take in the North and South Sylhet companies; in the same year the Amalgamated Tea Estates Co., Ltd. consolidated Finlay-managed holdings in Darjeeling, Assam, Sylhet and Ceylon; and in 1897 the Kanan Devan Hills Produce Co., Ltd. was floated to take in the North Travancore interests. The fourth company was the Anglo-American Direct Tea

[45] Sir Percival Griffiths, *Â History of the Indian Tea Industry*, London, 1967, p.158-9. Griffiths acknowledges Finlay sources for this information.
[46] Cited in Brogan, *James Finlay*, p. viii.
[47] *Ibid.* Writing in 1951, Brogan notes that "since 1926 transport arrangements in Travancore have changed considerably and the principal outlet is to the West to the Port of Cochin".

Trading Co., Ltd., floated in 1898.[48] The advantages of these moves lay in simplifying the financial and operating management of a large number of small concerns, a step which seems ordinary today but which was an innovation at the time. For the shareholders it also meant that the risks of variable economic performance were spread across a large number of gardens.

The Travancore (and indeed the Ceylon) concerns lie outside the scope of this thesis, but Muir's decision to invest in the development was a bold and pioneering venture, which did not have the benefit Finlays enjoyed in the north-east of being able to follow the successful example of much earlier enterprises in tea. Its eventual importance to Finlays is illustrated by Brogan's figures for 1949, which show that Kanan Devan had 29,333 acres under tea, a third of Finlays' total for all of India.

Command management

Finlays' were identified, at least in the twentieth century, by the peculiar status of their local businesses. They were clearly no more than branches of the Home company in Glasgow, and even if there was a nominal board of local directors it was no secret that all important decisions were taken in Glasgow. Indeed, Brogan describes these major concerns as "branches" without qualification, even in chapter headings. Nearly all the other British Managing Agencies had relatively strong, and often dissident, local partnerships or, later, companies, even if eventually ultimate over-riding control could be (and very occasionally was) exercised from Home. Many of them started as autonomous Calcutta partnerships which subsequently formed a "correspondent" partnership in the UK – typically in Liverpool or London. These firms would refer to each other as "our friends", and it was not until Calcutta partners began to retire to the Home partnership that the balance of power shifted.

---

48 Brogan, *James Finlay*, pp. 105-106.

At Finlays' this authoritarian command from the centre certainly dates from John Muir's becoming sole proprietary partner in 1881 and may well have been in evidence earlier. Brogan writes: "It would seem that from January 1876 the practice of admitting partners to the (Bombay) branch ceased, and the seniors who signed the firm were granted commission on results."[49] Nevertheless the Calcutta "branch" seems, initially at least, to have been operating as a normal independent partnership when Robert Ewing was appointed partner in charge in the same year.[50]

The way in which control came to be exercised is vividly illustrated in the minutes of weekly meetings of managers in Calcutta initiated and chaired by John Muir when he descended on the office in the Spring of 1895, evidently on a punitive mission.[51] He was now 67 years old and had been sole proprietary partner for some fourteen years, already Sir John, sometime Lord Provost of Glasgow, and a powerful and apparently cantankerous and opinionated old man. The minutes are expressed in unusually direct terms, and may well have been dictated by Muir himself, in order to ensure that his views (and commands) were accurately recorded.

At the first meeting on 21 February 1895 he reported that James Finlay & Co. (i.e. Glasgow) "were grieved and vexed with the careless and unsatisfactory management of this business during the last three years of the extremely heavy losses resulting therefrom which he estimated would more than sweep away the entire profits of 1894." He also censured the managers for arranging for the firm to pay the income tax on their own and their assistants' salaries, without informing Glasgow.

The following week Muir took the Senior Partner (Allan Arthur) to task for accepting the Presidency of the Calcutta Chamber of Commerce, while acknowledging that he had give his "very reluctant" consent, and that Arthur

[49] Brogan, *James Finlay*, p. 87.
[50] *Ibid.*, p. 91.
[51] Glasgow University Archive, UGD91/11/2/1/1.

had undertaken to resign if the demands were too onerous. He then turned to the "terrible blunder" made in connection with foreign exchange: the Calcutta firm had failed to make adequate provision for forward rupee/sterling exchange requirements. The previous "Senior", William Walker, who had handed over to Allan Arthur in 1893, had thought that approximately Rs. 70,000 was not covered for exchange when he left, but the actual figure had turned out to be six or seven lakhs, almost ten times as much. He went on to complain about the unsatisfactory working of the Champdanay and Wellington jute mills, "which had caused great dissatisfaction among the shareholders".

Rubbing salt into the wounds, he compared the Calcutta management unfavourably with Strang, Steel in Rangoon, with their "close personal attention and searching supervision of every detail". When the Seniors were home in London they received a weekly diary from each management assistant. "It was this close attention to detail and thoroughness in every respect coupled with perseverance and self-denial that had made Mr. Steel such a successful businessman."

At the meeting on 5 March Muir stated that when on 3 March 1894 he had requested Calcutta to set up a weekly exchange committee, Arthur had said it was not really necessary, but

> this was no reason for not carrying out the instructions...Everyone in the Calcutta office must recognise that he was the Senior Managing Partner of Finlay, Muir & Co., and this was the reason for having his name inserted in the Calcutta Directory as the Senior Partner...He then requested Mr Scott [the Secretary] to insert his name first on the board which hangs at the entrance of the office to show whether the different managers and assistants are in or out, to insert Mr. William Brown's name also...

Muir followed this putting down of Allan Arthur by stating

> that his two sons Mr. A. K. Muir and Mr. J. F. Muir [were paid £200 p.a. by Glasgow in addition to their Calcutta salaries] on the understanding that they would specially watch over and protect the business by every means in their power...[and] make certain that everything was conducted in the manner they believe he would wish if personally present, and that everything of importance, whether good or bad, requiring prompt attention should be instantly telegraphed to the Glasgow firm.

At this time A. K. Muir was only twenty-seven years old, and J. F. Muir twenty-five, which must have sharpened the implied insult to Allan Arthur and his colleagues in installing dynastic representatives over his head. He had been transferred to Calcutta from the Bombay office to succeed William Walker in 1893 as head of the firm, and was by now a well-known and respected senior figure in the Calcutta business community, as witnessed by his new Chamber position, which earned him a knighthood. It is not surprising that he resigned from Finlays', to join "Ewing & Co. in Calcutta for many years."[52] Robert Ewing was Robert Williamson's predecessor in Calcutta, having been transferred from Bombay in 1876, but "disagreements arose between Robert Ewing and Head Office ending in his retirement at the end of 1879."[53]

Meanwhile Muir continued his onslaught on the Calcutta management: on 19 March he complained that the books were unsatisfactory and should quickly be brought up to date to 31 December 1893 and 1894, and that thereafter six month balances should be struck, and the cash management should be reformed; on 15 April he criticised business practice at the Champdany jute mill – "far too much trust was reposed in natives of a worthless sort" resulting in poor quality raw jute purchases.

> The bulk of the supplies came from the natives, Bazaar dealers and *churkli-wallahs* [from the sandbanks] of the lowest class – who swarmed into the office daily…The Chairman then referred to the specially bad results of the Champdany and Wellington Mills during the past two years, and said that in Mr. Williamson's time these mills, though they never made such good profits as the best of the Calcutta mills, were always a little better than average, but that now they were about the worst of all…the shareholders had complained very strongly of the absence of dividends.

He underlined the importance of the jute business (and by implication his lack of faith in the incumbent management) by continuing: "This was the department of the business which beyond all others required the immediate and best attention of the managers. He requested his sons Mr. A. K. Muir and Mr. J. F. Muir to devote their special attention to the Champdany and Wellington Mills and to the Twist Mill." Accommodation at the mills would be arranged, so that they could

[52] Marr, typescript history, "The Business in 1876-1881", pp. 3-4.
[53] Brogan, *James Finlay*, p. 92.

go there "from Friday till Monday or Saturday till Tuesday" at one or the other. He would himself do the same on his return to Calcutta at the end of the year.

On 20 April, before leaving Calcutta to return to Glasgow, he delivered some final homilies:

> The Chairman repeated what he had already frequently stated to the managers individually and collectively that whether he was in India or elsewhere, he was always to be regarded as the Senior managing partner of James Finlay & Co. and of Finlay, Muir & Co., and that everything in connection with the business of the Calcutta and Colombo firms was to be conducted exactly as the managers believe he would wish to have it done, if personally present with all the facts clearly before him. He reminded the managers that they were Trustees for James Finlay & Co, and must be careful that the funds entrusted to them were only applied to such purposes as their Principals would approve of – in no case must these funds in future be used for any such purpose as to pay the Income Tax of the Managers...or the dentists bills of anyone...whenever funds are wanted for any new or special object not in the ordinary regular course of business, the approval of James Finlay & Co. must first be obtained either by letter or telegram...

Muir also stated that if he died or was incapacitated, A. M. Brown, a non-proprietary partner in Glasgow would take over, or failing him Robert Williamson, now head of the London firm. And as a parting shot:

> The Chairman requested that each manager should be as careful in regard to spending the funds of James Finlay & Co. as if each rupee came out of his own pocket, and even more careful, because he was intromitting with the funds of absent principals for whom he was acting as trustee.

It seems that his words were heeded, for the firm's legendary reputation for Scottish tight-fistedness survived into the 1960s, as well as the subaltern status of its local management.

Subsequent meetings were chaired by A. K. Muir, even during his father's return visit to Calcutta in December/January 1896. They were much less frequent, and dealt largely with routine matters. Details are scanty, since the separate reports from the main business fields considered at the meetings are not in the archive. Problems in the indigo business are, however, dealt with more fully.

The indigo disaster

John Muir's enthusiasm for investment in indigo concerns in 1892 and 1893 ignored the industry's history of turbulence stretching back for more than a century. There is no archival record of any case he may have made for his policy, but he may well have been influenced by the example of Gillanders, Arbuthnot, who had been financing indigo concerns since 1844 and some 43 indigo factories had been in their agency at some point. Nevertheless, by 1892 they were expressing very negative views about the business.[54]

Indigo had been, and still was, a very attractive commercial opportunity. Although the market price might fluctuate, it had very high value, the processed product was compact, durable and easily shipped, and the international demand for it was reliable if not wholly elastic. In the peak year of 1842 indigo accounted for 46 per cent of the value of goods exported from Calcutta.[55] It was, in spite of some disastrous years, on average extremely profitable. Pouchepadass cites indicative average profit levels in the decade to 1871 ranging from 20% to 35%, and an extraordinary 120% in the 1890s regularly achieved by the "immense Gondwara plantation...when it was in the hands of the Calcutta firm Thomas & Co."[56] He goes on to state that: "At the close of the century, when synthetic indigo was first commercialised, net profits of 25% to 50% were still common on the plantations of North Bihar."[57]

But indigo had twice brought down the Calcutta agency houses, in 1834 and 1847, and in 1859 had shaken the political stability of Bengal Province with the "blue mutiny" of *ryots* against the forced contract cultivation of the crop – disturbances and protests which continued sporadically into the twentieth century. Sukla records

> the assemblage of 20,000 *ryots* in Motihari to register their grievances before the Commissioner of Patna in 1868, the angry protest march of 6,000 *ryots* (in some

[54] see p. 42 of this thesis.
[55] Blair B. Kling, *The Blue Mutiny: The Indigo Disturbances in Bengal, 1859-1862*, Philadelphia, 1966, p. 21.
[56] Jacques Pouchepadass, tr. James Walker, *Champaran and Gandhi: Planters, Peasants and Gandhian Politics*. New Delhi, 1999, p 102.
[57] *Ibid.*

> records it is 4,000) as a consequence of Sital Rai's arrest in 1908 and a virtual demonstration of the *ryots* before King George V at Narkatiaganj railway station in 1911...[58]

There was also trouble in Pubna in East Bengal in 1873. Chaudhary writes that following a favourable court judgement in the Yusufshahi Pargannah (against Bengali successors to the Raja of Nessore, not European *zamindars*), the *ryots* in Pubna combined to refuse to execute contracts, to pay enhanced rents and illegal cesses or to accept a new and disadvantageous unit of area measurement.[59] Chaudhary refers to this as "the Pubna rising" but makes it clear that cases of actual violence were rare, in spite of exaggerated and alarmist reports in Calcutta newspapers sympathetic to the *zamindars*, which he cites. He also cites George Campbell, the Lieutenant Governor, who wrote to the Viceroy that considerable riots and violence were very few.

Chaudhary does not state that these protests and disturbances were directly related to the cultivation of indigo, and indeed by that time, following the events in the early 1860s, indigo production had been abandoned by Europeans in Bengal. Kling refers categorically to the "final destruction" of the indigo industry in Lower Bengal in 1862[60] but also suggests that even without the disturbances and their after-effects, the industry there might in any case have died out because of the topographical changes caused by slow shifts in the courses of Delta waterways which were already restricting cultivation.[61] Pouchepadass merely refers to "the collapse of European production [in deltaic Bengal] after the disturbances of 1860."[62]

The first major disturbances, in Lower Bengal, began in 1859 and went on until 1862. They were a considerable anxiety for the Government and the European community, coming so shortly after the Indian Mutiny. Many of the indigo concerns were located within reach of Calcutta, and the issues tended to polarise political opinion there, with the embattled planters facing the hostility of

---

[58] Prabhat Kumar Sukla, *Indigo and the Raj: Peasant Protests in Bihar 1780-1917*, Delhi, 1993, p. 152.
[59] R. B. Chaudhary, *The British Agrarian Policy in Eastern India: Bengal and Bihar (1859-80)*, Patna, 1980, pp. 144-46.
[60] Kling, *Blue Mutiny*, p. 219.
[61] *Ibid.*, p. 30.
[62] Pouchepadass, *Champaran and Gandhi*, p. 70.

European missionaries (including Alexander Duff, William Mackinnon's friend) as well as the nascent Bengali political class, who were forming the beginnings of Indian nationalism. The planters also had few friends in official circles, although from the beginning of the century the value of indigo to the EIC's fiscal strength (exceeded only by opium) had guaranteed a policy of *laissez faire,* and the mid-century rise of the evangelical school, combined with the trauma of the Mutiny, favoured European settlement, with the indigo planters identified as the vanguard.

The Government was prompted to set up a Commission of Enquiry in 1860. Its report was balanced and extremely thorough (764 pages) and reflected the prevailing liberal tendencies in official (as opposed to unofficial) circles. The Lieutenant Governor of Bengal, John Peter Grant, wrote in his Minute commenting on the report that the root of the problem was "the struggle to make *raiyats* grow indigo plant, without paying them the price for it…These *raiyats* are not Carolina slaves but the free yeomanry of the country and the virtual owners of the greater part of the land".[63] He was warmly supported by Sir Charles Wood, the Secretary of State (previously President of the EIC Board of Control): "It is a most able document, and completely establishes the case as between Planter and Ryot. I am very sorry for the individual planters who will suffer by the change of system; but that such a system should go on is quite impossible."[64] Lord Canning, who had been Governor-General in 1856 before becoming Viceroy, was more sympathetic to the vilified planters, as was Bartle Frere, a member of the Legislative Council, who, as we have seen, tended to lean towards support for British commercial interests.

The Pubna disturbances show that the problems for indigo were part of a wider rural disaffection, rooted in the uncertainties and injustices surrounding land ownership and tenancy rights, particularly in Bengal Province (including Bihar), which the eighteenth century Permanent Settlement had to some extent created. Subsequent amending legislation had failed to resolve the problems entirely, although the Bengal Tenancy Act of 1885 gave *ryots* occupancy rights at

63 cited in Kling, *Blue Mutiny,* p. 145.
64 *Ibid.*

controlled rents after twelve years' tenancy, as well as the right to sub-let. Robb provides a useful overview:

> In north-eastern India...there was little competition in rents, but also, until the early twentieth century or later, little certainty about them either. The assessed area was usually uncertain too, for want of measurement. Such conditions provided opportunities for oppression and privilege (as well as for peasant resistance)...Rent, records, measurement, courts, markets and loans were all used as methods of control and to extract produce. The landlords also had frequent recourse to direct force – many of them employed bodies of armed retainers, more numerous than their rent-collectors and record-keepers, and so extracted rent by violence or intimidation.[65]

Although European indigo concerns died away in Lower Bengal, they, and with them unhappy relationships between planters and *ryots*, continued in Bihar, and Sukla cites a report in the *Hindi Bangavasi* of 13 April 1876 reporting that the *ryots* of Ramnagar had been "driven by the high-handedness of the planters" to migrate to Nepal.[66] Sukla also reproduces a table showing that in 1868 54.48% of the *ryots* in 18 villages in Motihari had "fled" to Nepal, but he does not give a reference for its source.[67]

Some forty years later indigo planters seemed still to be a target for vilification. Robert Williamson, now Finlays' *burra sahib* in London, wrote: "You will recognise that we are not able to press upon such a shifty vacillating brigade as is the whole body of indigo planters the views which no doubt in other circumstances you would be able to enforce."[68]

The indigo planters have found few independent apologists, although the report of the 1860 Commission fell well short of wholesale condemnation and was careful to investigate and dismiss some of the wilder accusations of maltreatment. The report even noted with approval instances of enlightened and humanitarian management, but the legacy of hostile press stories, seized on for political advantage, combined with the obvious antipathy of officials, has left an overwhelmingly blackened historical record. Most published historical studies are centred on *ryot* resistance to their landlords, and even Kling's admirably

[65] Peter Robb, *A History of India*, Basingstoke, 2002, p. 269.
[66] Sukla, *Indigo and the Raj*, p. 118., cited from (weekly) *Report on the Native Newspapers of Bengal*, Government of India, para. 52.
[67] *Ibid.*, p. 98.
[68] Marr, draft history, "The business during 1891-1895", p. 5.

balanced work emphasises undeniable brutal malpractice with little examination of any alternative mitigating view. Pouchepadass, however, has examined in greater detail the economic and social structure of indigo cultivation in Bihar, and has been less ready to condemn.

The Europeans operated, albeit willingly, within a long-established, semi-feudal system not of their own instigating. While this offered much opportunity for abuse, it could equally provide support and protection to the *ryot*. Pouchepadass suggests that: " the *ryot*… could not even imagine that it would be possible to resist the will of the planter who had become his landlord. [69] Nevertheless, the history of continuing revolt disproves this claim: led on, no doubt, by the village oligarchy, who were disaffected for additional reasons, the *ryots* repeatedly resisted the planters.

The principal cause for dispute was the price for indigo paid to the cultivators – a contract price based on cultivated area rather than crop quantity. Foodgrain crops were more remunerative, as well as being less labour-intensive, and in the second half of the nineteenth century steeply rising foodgrain prices (90 per cent between 1870 and 1910) exacerbated resentment against being required to cultivate indigo instead, often on the most productive portions of land. Although Government publicly supported the argument that *ryots* were underpaid, liberal principles made direct intervention anathema, and the planters went to considerable lengths over several decades to argue that the ancillary benefits of financial and social support which they provided to their tenants, and the soil improvement made by indigo's deep roots, made up for a low price level and made indigo a profitable crop. In 1877 the Bihar Planters' Association was formed, acknowledging continued pressure (stopping well short of direction) from Government , and it published periodically a recommended minimum rate for indigo cultivation, but this was inevitably treated as a maximum.

With the benefit of hindsight it is surprising that the planters, or more particularly their proprietors, given the exceptionally high profit levels which they often enjoyed, did not accept a marginal reduction in gross return rather

[69] Pouchepadass, *Champaran and Gandhi*, p. 74.

than suffer the high economic and political cost of disruption (as indeed the Government pointed out to them at the time).

The discontent of the *ryots* was heightened by the often despotic and corrupt behaviour of the Indian agents (*amlas*) whom the planters employed to administer and coerce their sub-tenants. Pouchepadass states that "it was about this supervision that they continually complained, rather than about the loss of income imposed by cultivating indigo."[70]

The grievances of the smallholding *ryots* were shared by the *maliks,* the wealthier and more influential villagers with larger holdings, the volume of whose perceived losses in cultivating indigo was correspondingly greater. Resentment of the *amlas* was often strengthened by caste differences, particularly where the tenants were *brahmins* (whose caste forbade manual labour). The local *bania* were an equally powerful group, even if lower in the caste hierarchy. Moneylenders by trade, they were particularly aggrieved by the damage done to their credit business by the European planters and the cash advances they made to cultivators.

Pouchepadass accepts the conventional picture of a long Indian tradition of oppressive lending practice, culminating in effective debt bondage and expropriation. However, B. R. Tomlinson casts doubt on this discourse:

> ...the direct influence of *mahajans* and other urban capitalists on agriculture was easy to exaggerate...The picture of a commercially innocent, self-sufficient peasantry falling victim to the capitalist wiles of usurious moneylenders and urban bankers, painted by the colonial government and its nationalist critics alike at the end of the nineteenth century, is a largely inaccurate description of the political economy of exchange and production in Indian agriculture in the last century of British rule. [71]

Nevertheless, "the advances received from the planters not infrequently allowed the peasant to meet the instalments of his debts to the moneylender...[and] many a debtor could even pay off the entire debt."[72] It was not only *bania* who lent money to the smallholders: the *maliks* also used any cash surplus to make high-

---

[70] Pouchepadass, *Champaran and Gandhi,* p. 74.
[71] B.R. Tomlinson, *The Economy of Modern India, 1860-1970,* Cambridge, 1993, pp. 64-66.
[72] Pouchepadass, *Champaran and Gandhi,* p.120.

interest loans to smallholders. The European *thikedar* thus exerted a double economic penalty on the village oligarchy, which fuelled resentment and, eventually, revolt.

Although the *ryot* received the advances from planters with avid enthusiasm, since they released him from the grasp of the moneylenders, they carried with them the still onerous contractual obligation to set aside for indigo three-twentieths of his land, to be chosen by the planters or their *amlas*, and to be rotated at three-year intervals with alternative land. This obligation did not threaten a lifelong debt servitude, but it was rigorously, occasionally violently, enforced, and the balance of benefit became less obvious as the price gap between what the planters paid for indigo and the market price for foodgrains widened. Since the *ryots* were inescapably reliant on the advances for financial survival they found themselves in what seemed to be another trap.

As a concomitant of their authoritarian power, planters frequently accepted and exercised social responsibilities for the well-being of their tenants:

> ...there is no dearth of evidence concerning the paternal relations existing between the planters and his *ryots*, and the humanitarian assistance which he dispensed to them in times of trial. The planters maintained dispensaries, or even attended personally on their tenants and coolies, cleansed and disinfected the wells in their villages, built schools on their estates.[73]

This paternalistic support also embraced acting as arbiter and judge in disputes, providing additional famine and drought relief when village support was inadequate, and, notably, sympathetic treatment of tenants who were behind with their rent, and making loans to them for humanitarian purposes at little or no interest.

Pouchepadass points out, however, that there were substantial advantages to the planter in thus assuming the role of traditional lord of the manor, since it conferred the authority to coerce the *ryot* to plant indigo. But Pouchepadass also points out that "there were genuinely benevolent planters, whom their tenants begged not to leave when their *thikadri* leases expired."[74]

[73] Pouchepadass, *Champaran and Gandhi*, p. 16.
[74] *Ibid.*, p. 18.

Paternalism is deplored by twenty-first century political opinion, but it was not imposed on the *ryot*. It was an intrinsic cultural element of Indian village society, where the explicit parental status of superiors was eagerly sought, whether landowners, commercial managers or District Officers. Very similar paternalistic relationships characterised tea garden management, although there the requirement was more simply a matter of efficient labour deployment, and to a considerable extent the Europeans shared the physical hardships and health risks of wild and unfamiliar country with their immigrant labour force, living, until relatively recently, in primitive accommodation: their indigo counterparts, meanwhile, lived the life of country gentlemen, including hunting game, in palatial houses. Jute managers also lived well, but had no direct involvement with agricultural *ryots,* only with an industrialised factory workforce.

But like tea planters, indigo planters were physically and socially isolated, particularly those who managed so-called "out-factories". The freshly harvested crop was perishable and could not survive a long journey to a central processing factory: smaller processing units were therefore located out in the more distant cultivating areas. Young Europeans set down alone in an unfamiliar and hostile physical environment, surrounded by overwhelming numbers of "natives" whom he had to attempt to control, might well react aggressively to any perceived threat, particularly if encouraged by his senior Indian staff.

It is possible to speculate that a conventional Managing Agency structure, as operated in the tea and jute industries, might have served to create and maintain a healthy and positive link with the outside world, as represented by Calcutta management. Relations between Calcutta and the tea garden managers were frequently abrasive, but curbed (or at least discouraged) the development of paranoid reactions. Records of the exchanges between tea garden managers and Calcutta provide historians with useful insights: but the demonised indigo managers have no surviving voice, having usually been no more than the employees of a variety of distant British proprietors, and the recipients of credit and sales services but no management input from the few agency houses which were involved with indigo.

The intervention by Government in 1860 between European private enterprise and underprivileged Indians was not an isolated initiative: labour conditions in the tea industry came under equally rigorous and more frequent Government scrutiny, with a Committee of Enquiry in 1861, a Commission of Enquiry in 1868, and another in 1881. There were seven pieces of legislation regulating labour practices in tea between 1861 and 1901.

Indigenous participation in indigo manufacture

The departure of European enterprise from Bengal encouraged the development there of indigenously-owned plantations. In Bihar, where indigo had been cultivated before the arrival of the British, Indian planters were also in evidence, if now in comparatively modest numbers: "In 1873, of the 89 plantations in the Tirhut region, 22 (25 per cent) were owned indigenously. In 1880, the number had fallen to 15 out of 78 (19 per cent), and in 1911, to 14 out of 119 (12 per cent) for Bihar as a whole."[75] Pouchepadass goes on to state that in 1877, two-thirds of the capital invested in indigo in the Patna division was European, and the remaining third indigenous. Interestingly, he also states that:

> almost all the *zamindars* and bankers who invested therein employed European managers. Those that did not produced indigo on a very small scale...The indigenous indigo factories directed by indigenous managers subsisted, as a rule, no more than a few seasons, because the management was not adequately efficient, and the cultivators were treated in an overly oppressive manner.[76]

Although this might be taken as a compliment to the Protestant work ethic, it is more likely that these Europeans were experienced plantation managers who had been trained in European-owned plantations and may have been displaced on the termination of the head lease or of their own contract of employment.

[75] Pouchepadass, *Champaran and Gandhi* p.69.
[76] *Ibid.*

The extent of indigenous enterprise was partially restricted by the effective monopoly of leased *dihats* which the Europeans had established by informal understandings between them. But Pouchepadass points out that "Indian undertakings were often flimsy. In Bengal and Bihar, the flourishing of indigenous enterprise in periods of booms gave way to chains of failures in critical phases."[77] They were, in comparison to the European-owned undertakings, unfavourably placed when adverse market fluctuations called for financial support, since their only recourse was to borrow from Indian moneylenders at the prevailing interest rate of 24%, which would cripple the business.

> It is understandable that the majority of *zamindars* preferred, given the unsteadiness of the profitability of indigo, and being aware of all the risks involved for all 'interloping' entrepreneurs who infringed on the *de facto* monopoly established by the Europeans, to refrain from engaging in indigo and content themselves with the less spectacular, if steady and assured, revenues from rent.[78]

It is clear that British investment in indigo production by no means displaced indigenous enterprise, but rather offered mutual benefits, at least to the *zamindars.*

Financing indigo

Indigo planters, in common with other agricultural and horticultural concerns, needed significant working capital to finance seed, cultivation and processing before annual crop sales generated cash, as they had done for more than a century. Determined to re-develop the Indian indigo trade, the East India Company had themselves, in 1788, staked "eight or ten pioneer European planters in Bengal who were attempting to manufacture indigo by West Indian methods...In 1795, because of its need for remittances, the Company quintupled

[77]Pouchepadass, *Champaranand Gandhi*, p.70.
[78] *Ibid.*, p.71.

its advances to the indigo industry"[79]. In 1802, after a price collapse in the British market caused by massive over-supply, the Company stopped making advances, but by that time, according to Kling, "the private export of indigo, capitalised by the agency houses, was already more than three times as great as that financed by Company advances"[80].

Following another collapse of the British market in 1834, which brought down nearly all the agency houses in Calcutta, a new generation of mercantile agencies, backed by British capital, took up the capital financing of the indigo industry, and during the following years of prosperity allowed themselves to become dangerously over-exposed to the associated risks. Retribution came in 1847, with the collapse of the Union Bank, brought down by prodigal advances to indigo concerns, and with the bankruptcy of nearly all the agency houses.[81]

The effect of this catastrophe on the indigo industry was to initiate a fundamental restructuring of its capital base and of its operational management.

> Before 1847 almost every factory had been purchased with borrowed capital; after 1847 a large number of the concerns that failed, especially in Nadia and Jessore, were bought cheaply and paid off rapidly, leaving the planters relatively independent. The number of European planters managing small marginal concerns decreased, while the remaining concerns established 'local indigo seignories' and expanded their operations.[82]

Thus indigo concerns, although largely tenants, were to all intents and purposes landowners, with direct control over cultivation of their demesne land by hired labour (*nijabad),* but to a much larger extent they contracted for indigo cultivation (*raiyati*) with *ryots* who had tenancy rights on the leased land. It was this *raiyati* land which was the principal arena for disputes.

Nevertheless, although capital borrowing for land purchase and development declined steeply, the need for working capital in the form of "hypothecation"

---

[79] Kling, *Blue Mutiny,* pp. 18-19.
[80] *Ibid.,* p. 20.
[81] For a fuller account of this crisis see Chapter 1 of this thesis.
[82] Kling, *Blue Mutiny,* p.23. 'Local indigo seignories' is cited from J. P. Grant's "Minute by the Lieutenant Governor of Bengal on the report of the Indigo Commission" reproduced in full in C. E. Buckland, *Bengal Under the Lieutenant Governors* (2 vols., 2nd. ed., Calcutta, 1901), I, 238 ff.

advances on the crop did not diminish, in particular to finance advances in turn to *ryot* sub-tenants .

This requirement was the basis for Finlays' operations in indigo. According to Brogan[83], Muir used the strategy he had already used to win agency appointments for tea gardens in Sylhet and Assam: deploying the depth of the firm's financial resources to make generous advances to planters, as Gillanders, Arbuthnot had been doing. This financing was not part of a conventional Managing Agency relationship, since there was no evident participation in management (by Finlays or Gillanders) until Finlays appointed Collingridge as Visiting Agent in 1899. The agencies will presumably have handled sales at Calcutta auctions, as well as shipping and forwarding, but indigo was a mature agricultural development demanding little technical or material support, and doubtless was not seen as requiring a full Managing Agency structure.

The death of indigo

Muir's aggressive investment strategy was successful – Brogan states that by 1896 there were 69 indigo accounts in the firm's books. However, the decision to invest in indigo turned out to be unfortunately timed, since in 1897 the German invention of a synthetic blue aniline dyestuff was launched commercially. The production cost of the new dyestuff was much lower than natural indigo could ever hope to match, and, if its colouring strength was somewhat inferior, its quality was reliable and constant, and its availability in paste form was more convenient for the textile producer than dried cakes. It was, of course, easily possible for the manufacturers to vary production volume with demand to ensure a steady price.

[83] Brogan, *James Finlay*, p. 95.

Although production of the synthetic dye took some years to build up, its initial introduction in limited quantities triggered the decline and virtual extinction of international demand for the natural product, leaving Finlays' with large outstanding advances which were likely to be irrecoverable, so that, like Gillanders, Arbuthnot, they were forced to foreclose on property mortgages and become reluctant agricultural landowners and tenants.

Although the death throes of the indigo business were protracted (the last European plantations eked out their survival until the 1930s), serious damage began quite quickly:

> The average price of the maund in the Patna division was Rs. 235 in 1895-96; it fell to Rs. 166 in 1899-1900. The average price in Calcutta followed...the same course. Cultivated area and production rapidly diminished. There were in Bihar in 1896 some 112 plantations which produced an average of 70,000 maunds of indigo on approximately 400,000 acres during the decade preceding the appearance of the synthetic commodity. There were in 1914 no more than 59 plantations which produced below 8,000 maunds on less than 40,000 acres.[84]

Pouchepadass states that the average auction price per maund in Calcutta in the eighteen years between 1897 and 1915 was Rs. 156, while the average production cost rose to Rs. 175. "In the immediate pre-war years it was difficult for a plantation to make a net profit of more than 3 to 3.5 per cent."[85]

Finlay's Calcutta management were left to pick up the pieces as best they could as the viability of the industry slowly disintegrated. At a management meeting on 18 April 1899 the minutes report that: "the books at certain indigo factories in our agency, and which factories were deeply in our debt, were in a chaotic state and in some cases had not been written up for years."[86] A week later the meeting noted: "a letter from Mr. C.N. Macpherson objecting to Mr. Collingridge visiting [his factories]...Mr. Macpherson seemed to think he had a chance of getting his

[84] Pouchepadass, *Champaran and Gandhi*, p. 27.
[85] *Ibid.*, p. 105.
[86] Glasgow University Archive, UGD91/11/2/1/1. Collingridge had been appointed Visiting Agent on 24 January 1899.

account taken up by another Firm and it was decided to request him at once to arrange this."[87]

On 31 May 1899 the meeting discussed the problem of the time taken to gain possession – as long as eighteen months to foreclose a mortgage, and noted: "the importance of being able to deal summarily with indigo concerns which were deeply in debt to us and whose managing owners might at any moment show themselves to be incompetent or untrustworthy, was daily becoming more and more obvious." [88]

The indigo problems continued to haunt the business of Finlay, Muir's Calcutta management meetings for years.[89] "Outlays", that is advances, were still being made, but several liquidations were in train. On 18 July 1900 the foreclosure of the mortgage on Doornoa was reported. On 19 December 1900 it was reported that: "it did not seem likely that a realisation of the assets of this concern [Bisteria] would go very far towards liquidating its block debts to us". On 23 January 1901, referring to the Burgong property, it was noted that:

> Mr. Robertson had been unable to raise the loan he had hoped to do, and we have told him we would have to foreclose our mortgage on the concern or if he would hand it over to us without putting us to trouble, we might pay his passage home and give him a small allowance for this season.

This offer was evidently accepted, but not without further problems, because on 1 May 1901 "Mr. Graham [the new manager] reported that Mr. Robertson had completed giving over charge and had signed the books, but that he declined to leave the factory".

The tangle of difficulties continued elsewhere. On 22 May 1901 it was reported that the owners of Sadananpur were

> still negotiating with a Banker with a view to raising a lakh of rupees with which to pay off Mussamet Jalat Koeries' first mortgage and to provide Rs. 75,000 to give effect to the proposed arrangement with us. The Banker's father has unfortunately just died, and although Mr. Collingridge got the Mooktar who is acting for [the owners] as well as for the Banker, to go and see

[87] Glasgow University Archive, UGD91/11/2/1/1.
[88] *Ibid.*
[89] Glasgow University Archive, UGD91/11/2/1/2.

> the latter, the Banker refused to hold any interview pending the termination of the funeral ceremonies which had still ten days to run.

This anecdotal report illustrates that Indian capital, as well as European, was a source for borrowing by indigo concerns, although the term "banker" probably describes a *shroff.* No doubt the European banks were also making advances to planters, since in more prosperous times a profitable indigo concern will have been seen as a good risk, notwithstanding the collapses in the mid-nineteenth century.

It was more than a decade later that Finlays' finally fought free of the indigo business. Brogan recounts the end of the sad narrative:

> Finally two [properties] remained in the Finlay agency, Bubnowlie in the United Provinces and Belsund in Bihar...With the aid of a Government loan...a sugar factory was erected at Bubnowlie in 1913 and the company formed in December 1912 entered on a long period of prosperity in which James Finlay & Co. benefited as shareholders and as agents. Belsund turned to the manufacture of sugar at a much later date when competition was more severe. Apart from this, Belsund was handicapped at its inception by the destruction of the factory by an earthquake, and although rebuilt the years that followed brought little profitable trading.[90]

Ironically, soon after this the 1914-18 World War provided indigo with a temporary reprieve, since imports from Germany were stopped, but the patent for the synthetic product was expropriated by Britain as part of the reparations after the war, and supplies resumed.

---

[90] Brogan, *James Finlay,* p. 95.

Afterword

John Muir built a very substantial business on already substantial foundations. The record of Finlays' Indian enterprise is centred on him, although many others, including the shadowy figure of P.R. Buchanan, must also have played a part. Virtually the whole of the growth of the business in India took place in thirty years under his management as sole proprietary partner, following his initiative in opening the Calcutta office. But a singularity of his achievement is that he did not, like the entrepreneurs who were his contemporaries, serve any kind of commercial apprenticeship in India – he had no direct experience of the country and its environment when he took the decision to re-orientate the company's business priorities. Indeed he does not seem to have developed any sympathy for the country, as his characterisation of jute traders as "Bazaar dealers and *churkli wallahs* of the lowest class" tends to demonstrate: his personal experience of India was only that of an occasional visitor. It is not clear from the available sources where he found the knowledge and advice which must have informed his policy, and it is only possible to speculate on the possible influence of John Wilson of Wilson, James & Kay. with whom Finlays' amalgamated in 1858, or of the Gladstone family, with whom there must have been local social contact, at least before the problem of competition with Gladstone, Wyllie occurred.

A pamphlet published in 1922 shows the remarkable range of interests in Calcutta alone:

Agents for numerous tea companies (88,693 acres of tea)
Jute mills (Champdany Jute Co., Ltd.)
Goolabarry Co., Ltd.(Hydraulic Jute Presses)
M. Sarkies & Son, Naraingang (Jute Balers)
Clan Line of Steamers
Houston Line of Steamers
Ellerman's Wilson Line of Steamers
East Asiatic Co.'s Line of Steamers
Bengal-Dooars Railway Co., Ltd.
Insurance Companies (Fire, Marine, Life and Motor Vehicles)
Indigo concerns[91]
United Provinces Sugar Co., Ltd.,
Central Provinces Prospecting Syndicate Ltd (Manganese ore)

Tea Merchants
Jute merchants
Exporters of Jute Goods to all parts of the world
Exporters of Rice, Oil, Timber etc.,
Importers of all descriptions of Cotton Goods, Silk and Fancy Goods etc.
Importers of sugar[92]

The scale of Finlays' tea interests was the largest of any other single company. By 1898, the total capital of the four tea holding companies alone was £4,358,400[93] (more than £260 million at current values). These companies were not wholly-owned by Finlays, but their holdings represented entirely new values added since Muir became a partner. Although in some respects Finlays' followed the beaten track in developing interests in jute, tea and (less wisely) indigo, the innovative tea venture in Travancore demonstrated imagination, determination and a willingness to take risks which matched any of the earlier pioneers, and was undertaken on a very substantial scale.

In Bombay the original imported cotton piece goods business had been joined by the major shipping interest of the Clan Line, and the parallel agency for Lloyds of London; and the firm's roots in cotton manufacturing were reaffirmed with the Managing Agency of the newly-built Swan Mill. After John Muir's death the Finlay Mills and Gold Mohur Mills extended this interest substantially. Finlay,

[91] This seems to be an anomaly, since they had no interest in indigo after 1916, according to Brogan.
[92] promotional pamphlet *James Finlay & Company Limited (Formerly Finlay, Muir & Co.)*, Calcutta, 1922, Glasgow University Archive, UGD91/1/11/6/2, p. 10.
[93] Brogan, *James Finlay*, p. 47.

Muir also had branches in Karachi, Chittagong and Colombo, and James Finlay & Co. had associated companies in South America and South Africa. In the London branch an important insurance business had been built up, while the core Scottish cotton manufacturing business continued to thrive.

Finlays' had been, of course, beneficiaries of the restrictions on the export of British cotton manufacturing machinery, for all Kirkman Finlay's early campaigning for Free Trade when his appetite for doing business in the Far East was frustrated by the EIC's monopoly. The blame for the cotton machinery restriction is traditionally laid at the door of the Lancashire industry, and there is no record of Scottish support or opposition. With their large piece-goods exports Finlays' also, of course, contributed directly to the catastrophic decline of the Indian handloom industry, but this was to them a familiar, if regrettable, process which they had seen take place close to home, and its impact in India is unlikely to have concerned them. Their products were of superior quality at a competitive price, which was scarcely a reason to examine their conscience.

Available risk capital was, of course, an important weapon in Finlays' armoury, and in spite of the "culture of meanness" which seemed to inform the company, and for which it was to become known, the evidence points to the bold and ruthless use of superior financial resource as a competitive development weapon. As we have seen elsewhere, however, there were substantial capital resources in Indian hands, and there is no evidence that Finlays' used their financial strength in order to exclude Indian participation in any of their areas of activity, apart from competing with local moneylenders in the financing of indigo. The reluctance of Indian capitalists to accept unsecured lending risks has been noted elsewhere.

In spite of this record of large-scale development, the last years of John Muir's life (he died in 1903), were by no means satisfactory from a business point-of-view. In his Foreword to Brogan's *History*, the then Chairman, John Muir's grandson A. M. McGrigor, wrote:

> The early years of the twentieth century were years of depression not only for James Finlay & Co., but also for the tea industry in which they were so largely interested. For twelve years the largest tea company in their agency, The

> Consolidated Tea and Lands Company, Limited, paid no Ordinary dividends while the dividends on Preference shares ran into arrears. The other Tea Companies in the Finlay group were in little better shape. Shareholders came to the Annual Meetings in no mood to greet the Directors with grateful applause. There were stormy scenes, very trying for the Chairman and other Directors who had full sympathy with the feelings of the shareholders, for many of whom they knew the loss of dividends was a grievous blow.[94]

The poor performance of the tea industry at the end of the nineteenth century is also recorded by Griffiths:

> Although markets were expanding, prices continued to fall from 1894 to the end of the century, and the situation was only saved by the success of the planters in North-east India in drastically reducing production costs. In spite of this reduction, in 1897 and 1898 the average dividends of Barry's listed Indian Companies fell respectively to 1.99 per cent and 2.84 per cent.[95]

Griffiths also points to the difficulties caused by the revaluation of the rupee in the early nineties from 1s. 2d. to 1s. 4d., which "meant that in rupees per pound of tea sold in London the industry received about twelve and a half per cent less than before the revaluation – and it was in rupees that the costs of production had to be met".[96]

Allan Arthur's handover notes of April 1895 describe the Scindia Paper Mill as "this wretched concern", with Rs. 25,000 owing from "the Maharajah". He also notes that the Bengal Nagpur Coal Company agency had been acquired in 1892 "with Sir John Muir's sanction", and that an advance had been made of Rs. 1 lakh at six per cent.[97] The minutes of 14 March 1896 record that Andrew Yule were willing to take over the agency, so it was plainly unsatisfactory. The difficulties in tea coincided with the progressive collapse of the indigo industry, and so it is doubtless true that Muir's final decade at the helm of the Eastern empire he had built were far from happy.

Nevertheless, Finlays' recovered from these setbacks, and from the simultaneous interruption of the management succession in the three years it took the Trustees of his very large estate to complete its reorganisation. Thereafter John Muir's

---

[94] Brogan, *James Finlay*, p. v.
[95] Griffiths, *History of the Indian Tea Industry*, p. 128.
[96] *Ibid.* p. 139.
[97] Glasgow University Archive, UGD91/11/2/3/2.

descendants took the company from strength to strength until their confidence in India was undermined by Independence. In that sense, Finlays' was a beneficiary of Empire, having shared its lifespan from the 1770s to 1947, and its afterlife till 1983, a history which set them apart from their contemporaries.

CONCLUSIONS

Issues

Bagchi's insistence that the success of British firms depended on the privileged position of British business rather than the merits of its performance has suggested the issues which this thesis has particularly examined:

> the degree of commercial skill possessed by British incomers;
>
> the impact of imported British technical innovation, notably steam power and mechanised jute textile production;
>
> the possibility that British commercial interests colluded to erect barriers to entry for Indian entrepreneurs;
>
> the importance of access (possibly preferential) to British investment capital and bank finance;
>
> the extent of preferential support from the imperial government;
>
> the absence of competitive Indian entrepreneurial activity before 1914.

The study of primary and secondary sources has provided a few unequivocal answers to the questions raised, but it must be borne in mind that the case histories rely on the selective nature of the preserved archive material and of the often commissioned and privately-published historical accounts, and therefore present a skewed profile of the totality of British Managing Agencies. In a clear example of history being written by the victors and not the vanquished, it was the successful firms which, proud of their achievements and no doubt wishing to be congratulated, ensured that the recorded evidence was preserved for posterity. But the archives of several of the larger firms have not been preserved, at least accessibly, and of the hundreds of smaller firms, many of which failed, there is no known record at all.

Commercial skills

A handful of the individuals who led the firms they helped to found were marked out by their success, and several were honoured by the state. Their abilities were shown by events to have been exceptional, but they were indeed exceptions: the average was more modest, the "men of ordinary ability and initiative" suggested by Lokanathan[1]. Possibly only John Muir of Finlays brought to India mature and well-established management skills, developed at the large cotton manufacturing business he came to own. Other protagonists, however distinguished they became, seem to have been equipped with little more than clerical and book-keeping proficiency, and although Henry and Steuart Gladstone had a gentleman's education at Eton and some basic experience in the family firm at home before going to India, it seems unlikely that they "imported" superior commercial skills. Their eventual success is more probably attributable to a combination of opportunity and of personal characteristics, including the imagination to recognise the opportunities, the determination to grasp them and confidence that risks could be safely managed.

The later development of the Managing Agency businesses in the twentieth century typically saw second and third generation heirs of sharply different social standing from their forebears in most of the businesses (other than Gillanders), and the perspective from which post-Independence economists, politicians and historians viewed the firms may have fostered a distorted picture of their earlier character and of the roots of their success, while emphasising weaknesses which manifested themselves later. Maria Misra's *Business, Race and Politics in British India c. 1850-1960*[2] is an example of this, basing its generalised critique of the firm's long-term policies on the narrowly specialised example of the twentieth century correspondence of the Gladstones then running the firm. She is critical of their disconnection from developing Indian political and commercial society, but the evidence from earlier examples, even in the Gladstone papers themselves, shows a much closer inter-dependence in the

[1] P. S. Lokanathan, *Industrial Organisation in India*, London, 1935, cited in *The Managing Agency System*, Bombay, 1959, pp. 2-3.
[2] Maria Misra, *Business, Race and Politics in British India c. 1850-1960*, Oxford, 1999

nineteenth century, even after the watershed of the Mutiny. Clive Dewey took issue with her diagnosis in his review of her book.[3]

The early mid-nineteenth century pioneers operated on a comparatively small scale in the far from rarefied environment of the bazaar, sometimes in the *mofussil,* and they were at a significant disadvantage in terms of language and of commercial practice, particularly in negotiating credit. They could afford none of the delusions of grandeur which tended to manifest themselves later in European Calcutta's social life. With the exception of the Gladstones, they were not "gentlemen" and did not yet aspire to be.

"Technology transfer"

British protectionist legislation for some time attempted to prevent the export of cotton textile machinery. In addition, the short staple of Indian cotton was not well-suited to the powered spinning process. As a result local production of machine-spun cotton yarn and machine woven cloth was delayed for decades. Meanwhile exports of British-made cotton yarn and piece-goods found an apparently insatiable market in India, being of superior strength to the locally hand-made product and much cheaper, even after shipping costs.[4] This trade was a staple of the business of the early agency houses, and continued to be pursued even after they had taken on Managing Agency contracts.

It was only for jute textiles that parallel technology was freely transferred from Dundee, accompanied by Scottish technicians, a possibly incautious step which eventually destroyed the parent Dundee industry. By that time stationary steam

[3]Clive Dewey, *Journal of Imperial and Commonwealth History,* November 2001, pp. 183-87.
[4] The extent of the production cost advantage for machine-spun yarn is shown in Kenneth Morgan, *The Birth of Industrial Britain: Economic Change 1750-1850,* Harlow, 1999, p. 41: "...in the 1780s it took only 2,000 hours to process 100 lbs of raw cotton in a factory, as against the 50,000 hours taken by Indian hand spinners." By the 1820s the time had been brought down to 135 hours for 100 lbs of raw cotton.

engines were well-developed and familiar: the principal technical innovations were in the machine spinning of jute yarn, while the application of power to the weaving process was more straightforward and was introduced later, as it had been in the British cotton industry. It was access to these British technologies which enabled British-owned jute mills to be set up in the heart of the Bengal jute-growing district (where the terrain could not have provided water power). Here, as in the tea industry, the Managing Agency system was an ideal solution to the needs of distant British shareholders, offering reliable on-the-spot management of the investment which they had promoted.

The technology of steam power had British roots, and although none of the Managing Agencies had direct experience of its application, it was a vital factor in four of the industries with which they came to be engaged – textile manufacture, shipping, railways and coal.

Steam power revolutionised the shipping industry, and William Mackinnon, perhaps influenced by his early maritime environment, but more certainly inspired by the ferment of shipping and shipbuilding activity in Glasgow, which was at the heart of marine steam technology, seized enthusiastically the opportunities it created for scheduled steamer services in India. Marine engines (like the railway locomotive) required specialised solutions beyond the relatively simple design of a stationary engine, and were a later development. Mackinnon studied the engineering as well as the commercial opportunities, and his enterprise in building a large and successful Indian shipping line was squarely founded on specialised British technology.

As important as steam power to the development of modern shipping was the subsequent introduction of metal hulls, first of iron and then of steel. This also was a British (largely Scottish) innovation, enthusiastically embraced by Mackinnnon, and another important factor in the growing success of his shipping business.

As well as ocean-going shipping, inland water-borne transport was revolutionised by steam power, but it was an Indian Managing Agency, Carr, Tagore, which first participated in the promotion and management of this new enterprise, although after its failure a British firm took over. When the newly-built railways replaced river transport on the Ganges, operations were concentrated on the Brahmaputra, serving Assam, and a rival line was formed, which later also appointed a British Managing Agency.

Steam was, of course, also fundamental to the development of railways, which offered some important new commercial opportunities to Managing Agencies, notably in the recruitment and deployment of contract labour for construction and maintenance, but not in technical developments. A very few conventional Managing Agency contracts were made with smaller railway companies. Another industry revolutionised worldwide by the arrival of steam power was coal mining, and here again it was Carr, Tagore which was first in the field, promoting and managing the Bengal Coal Company, to be followed by several others. Experienced European (and Armenian) managers were appointed, and it must be assumed that they introduced more advanced techniques to the hitherto small and undeveloped indigenous industry.

In the two important agricultural industries of tea and indigo the impact of British technology was minimal. Tea cultivation and manufacturing skills were at first imported from China, but Chinese techniques were ill-suited to conditions in Assam, and the British planters went on to pioneer their own techniques locally. As these were refined, and the successful cultivation and manufacture of tea flourished, the number of companies speculatively opening up new land multiplied, and Managing Agencies were appointed almost universally to protect the interests of distant shareholders and to syndicate the methodology of best practice, in the process amassing a large corpus of technical information which owed virtually nothing to imported technology.

In indigo the impact of imported technology was equally negligible. Relatively primitive traditional methods of extracting the indigo dyestuff had been in use in Bengal, Bihar and the UP for centuries before the British took an interest. Techniques for cultivating the indigo plant were straightforward and well-established. Apart from some improved husbandry and more disciplined extraction processes, European planters changed little.

In summary, imported technology was of immense importance in the introduction and application of steam power in India, and, together with iron and steel hulls, was the foundation for Mackinnon's successful shipping enterprise. Steam's demand for fuel in turn created the conditions for coal mining development, from which the Managing Agencies profited, and it was steam power which made the railways and the river steamers possible, and provided further profit opportunities. The mechanisation of jute textile production was entirely achieved through technology imported from Dundee.. To that extent the success of some of the Managing Agencies, notably Mackinnons, can be attributed to "technological transfer", but the tea industry was a local development, driven by British Managing Agencies. However, the Managing Agencies' involvement in new technology-driven enterprises was largely opportunistic. None of the protagonists arrived in India with a clearly-formed intention to start a jute mill or a shipping line, for example, although several later arrivals were certainly attracted by the idea of starting a tea garden or even an indigo factory.

Barriers to entry

It is common for big, successful corporations to attract suspicion and hostility from the larger community, often generated by writers and politicians, not exclusively from the Left. When the corporations are owned by powerful foreign interests, suspicion and resentment are intensified, to the level of paranoia. Current examples in twenty-first century Britain are numerous, from the American-owned Macdonalds and Starbucks catering chains to the British-owned Tesco supermarket chain. Accusations of malpractice are commonplace, and have been since the invention of the joint-stock company in the nineteenth century, as in Trollope's novel, *The Way We Live Now*. Often restrictive legislation comes to reflect this fundamental unease in society. In India, before as well as after Independence, Nationalist politicians and historians demonised British business as an accomplice in the perceived injustices of British rule, one of the accusations being that British businesses colluded to erect barriers to entry for Indian firms in a number of commercial fields. The research for this thesis has particularly sought evidence for this practice, but no convincing examples have been found.

A case which has attained the status of folklore is that of Maniram Dewan, executed by the British for treason during the Mutiny. Posthumously honoured as a nationalist martyr, he was employed as a diwan by the Assam Company before going into the service of the young Assamese Ahom Saring Raja. The wholly unsubstantiated but widely reported story is that he set up a tea garden of his own, in spite of having been prevented by allegedly discriminatory legislation as a "native" from enjoying the same preferential land grant terms as Europeans, and that the European planters somehow inspired the official decision to arrest and execute him, picking up his tea garden at auction afterwards "at a throwaway price"[5]. The persistence of this apparently mythical account (the latest version was in 2002) is remarkable, and no doubt illustrates the strength of the desire to demonstrate unjust British business practice, no matter how slender the evidence.

A less controversial, much later, example in the tea industry was the unsuccessful attempt by Dooars planters in the 1920s to resist the expansion into tea cultivation of Indian-owned agricultural land. Since business conditions in tea after the First World War were very difficult, it seems that the planters were more concerned to limit any additional production, from whatever source, than specifically to exclude Indian participants.

---

[5] Sharma, Jayeeta, "An European tea 'garden' and an Indian 'frontier': the discovery of Assam." *Centre of South Asian Studies (Cambridge), Occasional Paper No. 6, 2002*, p. 21, citing Anjan Kumar Baruah, *Assamese Businessmen from Maniram Dewan to Robin Dutta*, Guwahati, 1992, p. 10.

At the same period the jute industry was under pressure from over-supply and falling prices, and the European interests represented by the Indian Jute Manufacturers' Association (the cartel established in 1884) were concerned that the opening of new mills by new Indian investors in 1922 would exacerbate the problem. Attempts were made to isolate them (although it might have been more intelligent to invite them into the cartel), and there was some overt hostility from the Europeans. It seems to have been this episode which prompted Bagchi to write with particular venom about British domination of the jute industry, which he suggests derived from the British domination of inland transport, of the port, and of the trading chain of raw jute from the peasant through to the ship, linked by a network of ties – "a common interest, a common language, and above all, a common social distance from the Indians among whom they lived". Citing the occasional restrictions on non-European entry to jute trade associations, he suggests that "perhaps the Indian merchants knew better than to try to break into this nexus".[6]

Omkar Goswami took a different view, citing the membership of the Calcutta Baled Jute Association, which had 133 members in 1903-4, of which 70 were Indians.[7] Thomas Timberg calculated that by 1900 over half the jute balers were Marwaris.[8] Goswami goes on to say: "The Marwari move from up-country jute trade and *dadans* to speculation and futures markets, to industry, and then to the gunny trade and burlap exports, to eventually straddle all the sub-sectors of the jute economy, belies the potency of entry barriers."

Nevertheless Indians faced an undoubted entry barrier to the jute export business, *de facto* rather than deliberately erected. Bagchi's contention that "the market for jute manufactures had to be sought out, and this search could be made only by businessmen who had an intimate contact with the export trade" has to be accepted. The British had superior knowledge and information.

---

[6] A. K. Bagchi, *Private Investment in India 1900-1939,* Cambridge, 1972, pp. 263-66.

[7] Omkar Goswami, *Industry, Trade and Peasant Society: The Jute Economy of Eastern India 1900-1947,* Delhi, 1991, p. 85.

[8] Thomas Timberg, *The Marwaris: from Traders to Investors,* Delhi, 1978. Cited by Stewart, Gordon T., *Jute and Empire: The Calcutta Jute-wallahs and the Landscapes of Empire,* Manchester, Manchester University Press, 1998, p. 26.

The British shipping industry was also a target for strong Nationalist attacks. The dominance of Indian waters by British-built ships and British-owned shipping lines came to be cited as yet more evidence of the malignant policies of the Raj – "The cruel and calculated destruction of Indian shipping and shipbuilding – as of many other industries – forms a sordid chapter of the 200-year-old British connection with India"[9]. Gandhi himself expressed his outrage in 1928: "t he tragic history of the national village industry of cotton manufacture in India is also the history of the ruin of Indian shipping. The rise of Lancashire on the ruin of the chief industry of India almost required the destruction of Indian shipping."[10] Although the logic of ascribing to the Lancashire cotton industry an intention to destroy Indian shipping is not clear, there is no doubt that British policies and commercial practice were, to say the least, extremely unhelpful to indigenous Indian maritime interests.

Restrictive British protectionist legislation in the early nineteenth century, reserving trading with India for British-built ships, certainly damaged the Bombay shipbuilding industry, but did not extend to the coasting trade. More damaging barriers were access to cheap timber, enjoyed by North American shipbuilders, and then, fatally, the development of iron and steel hulls in Scotland and North-east England, where geological advantages ruled Bombay out of the running. The new technology barrier affected many shipbuilders globally, and was certainly not any kind of deliberate, selective restriction on Indian enterprise.

More controversial, however, is the brutal and overt pursuit of monopoly by British ship owners, and the crucial part played by the Government mail subsidy in ensuring the viability of scheduled shipping lines, as well as collusive rate fixing and the deferred rebate system, which was effective as a barrier to would-be new ship operators and as an eliminator of existing competitors. The award of the mail subsidy had political and strategic implications for the management of Empire, and it is clear that William Mackinnon's personal relationship with

[9] N.G. Jog, *Saga of Scindia: Struggle for the revival of Indian shipping and shipbuilding (1919-1969)*, Bombay, 1969, p. 9.
[10] cited by Jog, *ibid.*, p. 8.

Bartle Frere was an all-important factor in gaining Government of India confidence and support. Without it the opportunities for a shipping line were very limited. If Jog's unattributed figures are correct: "...most of the 102 Indian navigation companies which were registered between 1860 and 1925...had to go into liquidation one after another."[11]

Predatory pricing by P&O torpedoed Tata's attempt to set up a joint venture shipping line to Japan, and Government was unsympathetic to an appeal for help.The Swadeshi Shipping Company, which had a political agenda as well as a commercial one, was relegated to an impossible competitive position by discriminatory shipping schedules negotiated by BI and restrictions on passages for Government servants. Eventually it was issues of national security that brought the company down.

In the coal and indigo industries the issue of barriers to entry did not arise: Indian *zamindars* for the most part owned the land, and willingly leased out to Europeans the rights for mining, cultivation and manufacture, preferring the assurance of regular rental income to the risks of operation.

Access to British capital

The overt or covert protection of an effective monopoly by one or more companies was more common in the nineteenth century, until successive legislation, particularly in Britain and America, made it illegal. Barriers to entry in commerce are today more usually defined by lack of fixed capital resources with which to match and challenge large, well-funded competitors: the "entry price".

[11]Jog, *Saga of Scindia,* p. 13.

For working capital, Bagchi, and even Government, proposed that Indian firms were at a disadvantage in gaining access to British bank credit facilities. Bagchi writes of "the most important feature of the relationship between European and Indian capital during the period under consideration, viz., their basic antagonism…the persistent advantages enjoyed by the Europeans …because of the racial alignment of … the financial and other services supporting and reinforcing European control over trade and industry…"[12]

The Indian Industrial Commission of 1916-1918, which drew on self-consciously radical non-official businessmen, noted the difficulties in getting credit facilities for smaller businesses which could not offer the security of approved names or of readily disposable stock. Indians suffered particular difficulties in "satisfying a bank, whose directorate and staff are entirely European, as to their financial position…Applicants for assistance are often unable to exhibit their financial position in a form intelligible to a banker." [13]

As we have seen, this was illustrated by Morris D. Morris, noting the mis-match between the British and the Indian credit systems, where "technical differences in the structure of property relations made risks different for [the British] than for the native entrepreneur." [14]

Certainly we have also seen one instance where a British bank treated a British applicant with a sympathetic generosity unlikely to have been offered to an Indian: a personal loan to Ernest Cable of Birds' in 1889 of Rs. 1 lakh (around £500,000 at current values) with only 10 per cent security. But the network of extended Indian family relationships was equally capable of providing generous help for a deserving commercial cause, and there were also many instances of British firms using short-term Indian finance. This was not a temporary

[12] Bagchi, *Private Investment in India,* p. 186.
[13] *Report of the Indian Industrial Commission, 1916-1918,* New Delhi, 1918, p. 213.
[14] Morris D. Morris, "Private Industrial Development on the Indian Subcontinent 1900-1939: Some Methodological Considerations", *Modern Asian Studies,* 8, 4 (1974), footnote 34, pp. 552-3.

expedient: Tomlinson showed that almost a century later it was still an important source of liquidity.[15]

British business made good use of the limited liability company framework for raising investment capital, particularly after the introduction of the limited liability concept. Indian business was slower to embrace this new method, although the Marwaris were enthusiastic speculators on the Indian stock exchanges. For the British, access to private capital in Britain was not necessarily easy, but it was often possible to recruit large numbers of small shareholders. The flotation of new companies by established British promoters could occasionally make use of the resources of the London stock exchange, but the experience of Tata's steel company flotation showed that Indian promoters were not favoured.[16] Nevertheless, Indians soon caught up with the techniques, notably in the jute and cotton industries.

It can be seen, therefore, that Bagchi and the Industrial Commission may have been justified in pointing out that Indian business did not have easy access to British finance, but that the reason was partly technical, rather than deliberately discriminatory. Indigenous finance from traditional sources was not difficult to access, but the interest burden was substantially more onerous – sometimes twice as high. Advances by European firms on indigo crop hypothecation were eagerly sought by the cultivators for this reason, and the *banians* and *zamindars* greatly resented this undercutting of loan rates and the loss of opportunities for land acquisition by foreclosing on defaulting borrowers. This disparity in rates of return on capital was also a significant disincentive to Indian capitalists from investing in new, and possibly risky, industrial developments.

[15] B. R. Tomlinson, 'Colonial Firms and the Decline of Colonialism in Eastern India 1914-1947', *Modern Asian Studies*, 15, 3 (1981), p. 485, citing "especially" 'Note of conversation with F. P. Pudamjee 31.7.35', Benthall Papers X, Centre of South Asian Studies, Cambridge.
[16] B. R. Tomlinson, *The Economy of Modern India 1860-1970*, Cambridge, 1993, p. 129.

Preferential treatment of British firms by Government

There is no doubt that Mackinnons' shipping business received preferential Government treatment, for reasons other than the personal friendship which developed between William Mackinnon and Sir Bartle Frere, a member of the Supreme Council and then Governor of Bombay.

Frere was arguing for the Bombay Marine to be wound up as well as the already discontinued Bengal Marine, and for the private sector to provide all the Indian government's maritime transport needs, thus being encouraged to develop a mercantile marine in Indian waters. He wrote in an official Minute, "we have in the coasting trade of India itself the means of creating a local steam marine, which in time of need might render most valuable service to the State. " He suggested that "local coasting steamers" might be promoted by making use of them for the transport of troops and stores and for post-office purposes.[17]

Munro shows that Mackinnon's plans for a series of inter-connecting steamship services around India from Singapore at the end of the Straits of Malacca to Basra at the head of the Persian Gulf suited Frere's strategies perfectly, and he "threw the full weight of his influence behind William's proposals…As Governor of Bombay with responsibility for the conduct of India's foreign policy in the Persian Gulf, he was now ideally placed to use William Mackinnon's steamships as agents of British power in the Gulf.' [18] However, Munro suggests that Mackinnon had not previously realised that steamship transport had strategic and political implications as well as the more obvious commercial ones.

Every state (not only the British Empire – the Mongol Empire is one of several other examples) has an interest in the strength and security of its communications, and will sometimes impose a state monopoly if it considers its interests, whether strategic or mercantile, too important to put at risk unprotected in a competitive market. – with the British General Post Office as a good recent example. In the transport industry the state will look

[17] Munro, *Maritime Enterprise*, p. 46, citing Minute by Sir H.B.E. Frere, 6 January 1869, Confidential Print No. 72, *Abstracts*, IOLR L/P&S/19.

sympathetically at requests for help and protection from carriers undertaking scheduled, regulated services which are seen as contributing to the national good and which can contribute to state security.

Since the railway, as well as the steamship line, was developed at the same time as Britain's hold on India had been challenged from within, it may have been inevitable that presumed loyalty to the Crown was a particularly necessary qualification for receiving state patronage. Nevertheless, if William Mackinnon's possibly paranoid suspicion was correct, there was a school of thought in the Bombay Presidency which favoured the "native" company for the subsidy.

A parallel case some forty years later is explored by Geoffrey Jones in his article on the oil industry in Burma.[19] He challenges the nationalist claim that the Government acted in support of British interests and at the expense of Indian national interests. In particular he shows that "Burma Oil...never received the unequivocal support of the governments in Simla and Rangoon", but that the strategic requirement for fuel oil by the navy led the British Admiralty to insist on the exclusion of foreign companies from the Indian and Burmese oil industries to protect the security of supplies.

At the time of the First World War William Mackinnon's successor, James Mackay, later Lord Inchcape, had masterminded the merger of BI and P & O, of which he was chairman, and held positions of state authority. The firm was established as an important partner of Government.

At a less exalted level, the way in which the Jumna pontoon labour contract was awarded to Birds in 1864 by the East Indian Railway Company (which was under eventual government supervision) was extremely questionable. An Indian contractor won the contract at As.4 per wagon on 1 December but lost it again two weeks later, when Birds were appointed at As.8 per wagon. The E.I.R. traffic manager responsible for the recommendation turned out to be a "very good friend to Capt. Sam Bird, and for the following ten to fifteen years joined with the

[18] Munro, *Maritime Enterprise*, p. 49.
[19] G. G. Jones, "The State and Economic Development in India 1890-1947: The Case of Oil", *Modern Asian Studies*, 13, 3, (1979), pp. 353-375.

Birds…in many of their projects, both speculative and otherwise"[20], which adds to the doubtfulness of the transaction.

Nevertheless, whatever the truth may have been, it seems it was a minor, local transaction, scarcely an illustration of deliberate Government favouritism. More than twenty years later the Director-General of Railways reported officially: "The 'handling' contracts [for the Eastern Bengal Railway] let to Messrs. Bird & Co. were satisfactorily carried out, but the rates were in excess of those given to the petty contractors who worked previously… the certainty of getting the 'handling' done at all times, without delay to vessels or rolling stock, more than compensated for the enhanced rates…"

It seems that the preferential treatment given to a European firm was, in this case at least, based on a pragmatic value judgement.

Imperial power was, of course, a prerequisite for the orderly development of the tea industry. Apart from the military threat of continued incursions from Burma, the limited power of the Assamese state to administer land use would have discouraged large-scale investment in an inherently unstable country. As it was, the imperial administration became the engine of development, and the Waste Lands designations and grants were the enabling mechanism. The tea industry was entirely the beneficiary of Empire, even if it later found itself in an adversarial relationship to Government. But the state was also a substantial beneficiary, both in the medium term, when an undeveloped jungle province turned into a revenue-producing asset, and in the longer term, when the tea trade became a dominant earner of foreign exchange.

The Waste Land Grant Rules did not exclude Indians from the benefits, although the high acreage threshold and the funding qualification did require considerable financial resource. Although the vast majority of planters were British, Indian participation started with Dwarkanath Tagore and continued, if patchily, through several crisis periods.

[20] M.S. Jacomb-Hood, *A History of Bird & Co. 1864-1929*, Calcutta, 1929, p. 143.

The adversarial relationships between Government and the tea industry were also found in the indigo industry, and in both cases the friction arose from Government intervention to regulate the oppressive treatment of Indians by planters. In the tea gardens the appalling mortality among immigrant labour being shipped from Chota Nagpur and the brutal pursuit of indentured "absconders" outraged liberal opinion and prompted legislative restraints: between 1861 and 1901 there were seven pieces of legislation regulating labour practices in tea which were seen by many planters as wanton interference with the practical realities of managing a tea garden.

In the indigo industry the oppressive system forcing *ryot* tenants to cultivate indigo was widely resented, and sparked serious disturbances from time to time. The liberal outcry enlisted vocal support from missionaries and, even more authoritatively, the Lieutenant Governor of Bengal, who set up the 1860 Commission of Enquiry and pithily commented that the root of the problem was "the struggle to make *raiyats* grow indigo plant, without paying them the price for it".[21] Although the industry escaped legislative controls, they were under continuous pressure from a generally unsympathetic Government to alter their contract terms.

In the tea and indigo industries a claim that they were receiving preferential Government treatment would have been met with derision.

[21] cited in Blair B. Kling, *The Blue Mutiny: The Indigo Disturbances in Bengal, 1859-1862*, Philadelphia, 1966, p. 145.

The absence of competition from Indian entrepreneurs before 1914

No compelling evidence has been found to support the argument that British commercial or political policies prevented or discouraged direct Indian participation in the major industrial developments of the nineteenth and early twentieth centuries, with the exception of shipping and the railways, where issues of state security were perceived, particularly after the Indian Mutiny. Nor did the European entrepreneurs import commanding personal skills or control substantial financial resources (with the exceptions of Finlays and Gillanders) with which Indians could not compete. They could, however, access more readily the Scottish-based technologies of machine spinning and weaving of jute, of marine steam power and of iron- and steel-hulled steamships. This access was not necessarily exclusive, and Indian-owned steamships were in service before the end of the nineteenth century, whereas jute manufacturing had no Indian operators until the 1920s.

Religious and social inhibitions have been suggested as causes for the slow start of Indian industry; however, Gujarati and Marwari entrepreneurs were subject to the same Hindu ritual restrictions as their Bengali counterparts but succeeded in reconciling them with their own commercial behaviour, which by the early twentieth century was competing strongly with the Europeans. It was a Bengali, Dwarkanath Tagore, who initiated many modern industrial developments in the 1840s. There may have been some peculiar inhibitions in Bengal, perhaps through memories of the backlash from the 1846 financial crisis, perhaps from the emergence of a country landowning class – the *bhadralok* – with a cultural distaste for "trade", possibly from the example of the Indian Civil Service élite in Calcutta.

A principal motive may have been more rational, however. There was easier money to be made in agricultural finance and trading, as well as in small-scale traditional manufacturing, without the risks involved in the new and unfamiliar industries, which for the most part offered a much lower return on capital employed, without security. *Banians, maliks* and *zamindars* dealt only in secured loans "with recourse", and did not hesitate to foreclose in the event of default.

The new industries themselves generated low-risk opportunities for profitable trading in ancillary services, such as the procurement of raw jute, the activity where John Muir of Finlays felt exposed to sharp practice by "natives of a worthless sort"[22].

At a more sophisticated level, Marwaris, who had long dominated the domestic grain market, became increasingly active in trading in raw jute futures, progressing gradually towards eventual jute mill ownership. They seem to have emulated European practice and to have been ready to speculate in risky ventures from the late nineteenth century. For instance, in the short-lived but disastrous Calcutta "gold rush" of 1894, Birds found themselves in an exposed position, prompting Ernest Cable to record in his memoir: "The same Marwaris, who brought *bags of silver* to the office to subscribe to the company, turned on us when the "boom" was over..."[23]

There were many parallel ancillary businesses surrounding the tea industry. Even in indigo, where cultivation and production by indigenous landowners was well-established long before the Europeans moved in, many *zamindars* recognised the attraction of hiving off the management responsibility, and particularly the commercial risks, to European tenants, and of living comfortably off the rental income.

---

[22] Glasgow University Archive, UGD91/11/2/1/1. Minute of management meeting on 15 April 1894.
[23] Jacomb-Hood, M. S., *A History of Bird & Co 1864-1929*, Calcutta, 1929, p. 19.

Summary

Different attitudes to the acceptance and management of financial risk may well have been a determining factor in the apparent reluctance of Indians, particularly in Bengal, to engage earlier with the opportunities for new industrial and horticultural enterprises. As well as underlying cultural attitudes, the British incomers were, almost by definition, risk-takers, having made the long voyage hopefully, but with no certainty of success, or even survival, and frequently without the security of a "position" to go to. Letters home contain a few personal expressions of despair, and while the official records show a high mortality among registered European companies, the failure of private partnerships, unprotected by limited liability provisions, was not similarly recorded. However, the psychology of risk-taking suggests that those who set out on a venture were confident of success, discounting the risk of failure, perhaps by "calculation", even if the record showed that in many cases the calculation was over-optimistic.

Nevertheless, the successful entrepreneurs showed vision in identifying new opportunities and boldness and determination in grasping them. Many of these opportunities arose from Imperial rule, but only in land grants, and to some extent in shipping, were they in the gift of Government. Only in shipping is there evidence of deliberately exclusive preferential treatment for the British, motivated by strategic military considerations. By no means all those entrepreneurs were British: the subsequently successful record of industries owned by Parsi, Marwari and Gujarati interests denies the claim that there were deliberate obstacles put in the way of indigenous enterprise.

BIBLIOGRAPHY

Archival sources

The Glynn/Gladstone manuscripts, County Clwyd Record Office.
Sir William Mackinnon Papers, SOAS, GB 0102 PP MS. 1.
Sir Edward Benthall papers, Centre of South Asian Studies, Cambridge.
The Inchcape Collection, Guildhall Library.
James Finlay & Co., Glasgow University Library., UGD91.
Balmer Lawrie and Alex Lawrie manuscripts, Camellia plc, Linton Park, Kent.
James Stuart letters, typescripts Camellia plc, Linton Park, Kent (originals believed to be in the Kshitindranath Tagore MS collection at the Rabindra Bharati University in Calcutta).
Venn, Thomas Walters, *The Bombay Steam Navigation Company, J. A. Shepherd and A. W. Crawford with Digressions. T. W. V. Devennen. 1931.* Unpublished typescript. India Office Library Private Papers, MSS Eur D831.

Official publications

Amending Act of 1936, amending the Companies Act of 1913.
Second Statistical Account of Scotland, Edinburgh, 1841, "The Parish of Balfron, Presbytery of Dumbarton, Synod of Glasgow and Ayr. The Rev. Alexander Niven, Minister".
Report of the Indian Industrial Commission, 1916-1918, New Delhi, 1918.

Secondary sources

[Andrew Yule and Co.] *Andrew Yule and Co. Ltd., 1863-1963,* Edinburgh, privately printed, 1963.

[James Finlay & Co.] (Colm Brogan), *James Finlay & Company Limited: Manufacturers and East India Merchants 1750-1950,* Glasgow, privately printed, 1951.

Antrobus, H. A., *A History of the Assam Company, 1839-1953,* London, Constable, 1957.
------------- *A History of the Jorehaut Tea Company Ltd, 1859-1946,* London, 1948.

Arnold, David, *The Problem of Nature,* Oxford, Blackwell, 1996.

--------------- *Colonizing the Body: State Medicine and Epidemic Disease in Nineteenth Century India,* Berkeley, University of California Press, 1993.

---------------- "Agriculture and 'Improvement' in Early Colonial India: A Pre-History of Development", *Journal of Agrarian Change,* 5, 4 (2005), pp. 505-525.

Bagchi, A. K., *Private Investment in India 1900-1939,* Cambridge, Cambridge University Press, 1972.

--------------"De-industrialisation of India in the 19th Century", *Journal of Development Studies*, xii/2 (1976), pp. 135-152.

--------------- "De-industrialisation in Gangetic Bihar 1809-1901", in Barun De (ed.) *Essays in Honour of Profesor S.C. Sarkar,* New Delhi, Peoples' Pub. House, 1976.

Baildon, Samuel, *The Tea Industry in India : a review of finance and labour, and a guide for capitalists and assistants,* London, 1882.

Ball, Charles, *The History of the Indian Mutiny,* London & New York, The London Printing and Publishing Co., 1858-59.

Ballhatchet, K., *Race, Sex and Class under the Raj: Imperial Attitudes and Policies and their Critics 1793-1905,* London, Weidenfeld and Nicholson, 1980.

Baruah, Sanjib, "Clash of Resource Use Regimes in Colonial Assam: a Nineteenth-Century Puzzle Revisited", *The Journal of Peasant Studies,* 28, 3, (April 2001), pp. 109-124.

Basu S. K., *The Managing Agency System in Prospect and Retrospect,* Calcutta, 1958.

Bayly, C.A., *Rulers, Townsmen and Bazaars: North Indian Society in the Age of British Expansion 1770-1870,* Cambridge, Cambridge University Press, 1983.

--------------- *Indian Society & the Making of the British Empire,* Cambridge, Cambridge University Press, 1988.

Bhattacharya, Tithi, *Rethinking the political economy of the intelligentsia: Bengal 1848-1885,* PhD thesis, University of London, 2000, unpublished.

Blake, George, *BI Centenary 1856-1956,* London, [British India Steam Navigation Company], 1956.

Bolitho, Hector, *James Lyle Mackay, first Earl of Inchcape,* London, 1936.

Bolt, Christine, *Victorian Attitudes to Race,* London, Routledge and Kegan Paul, 1971.

Brame, Alfred, *The India General Steam Navigation Company Limited,* London, Leadenhall, 1900.

Bremen, Jan, (ed) *Imperial Monkey Business: Racial Supremacy in Social Darwinist Theory and Colonial Practice,* Amsterdam, VU University, 1990.

Broeze , Frank, "Underdevelopment and Dependency: Maritime India during the Raj", *Modern Asian Studies,* 18, 3, (1984), pp. 429-457.

Buchanan D. H., *The Development of Capitalistic Enterprise in India,* New York, 1934

Bulley, Anne, *The Bombay Country Ships 1790-1833,* Richmond, Surrey, Curzon, 2000.

Cage, R. A., *The Scots Abroad: Labour, Capital and Enterprise,* London, 1985.

Cain P.J. and Hopkins A.G., *British Imperialism: Innovation and Expansion, 1688-1914,* London, Longman, 1993.

Chandavarkar, Rajnarayan, "Industrialization in India before 1947: Conventional Approaches and Alternative Perspectives", *Modern Asian Studies,* 19, 3 (1985), pp. 623-628.

Chaudhary, R. B., *The British Agrarian Policy in Eastern India: Bengal and Bihar (1859-80),* Patna, Janaki Prakashan, 1980.

Chaudhuri R. K., "Foreign Trade and Balance of Payments (1757-1947)", *Cambridge Economic History of India,* Cambridge University Press, 1982.

Checkland S. G., *The Gladstones: A Family History, 1764-1851,* Cambridge, Cambridge University Press, 1971.

Cohn, Bernard S., "Representing Authority in Victorian India", in *The Creation of Tradition,* Eric Hobsbawm and Terence Ranger, eds., Cambridge, Cambridge University Press, 1983.

Deane, Phyllis, *The First Industrial Revolution,* Cambridge, Cambridge University Press, 1965.

Dewey, Clive, *Anglo-Indian Attitudes: The Mind of the Indian Civil Service,* London, Hambledon Press, 1993.

------------------ Book review: "Business, Race and Politics in British India c. 1850-1960" by Maria Misra. *The Journal of Imperial and Commonwealth History,* November 2001, pp. 183-87.

Drayton, Richard, *Nature's Government: Science, Imperial Britain and the 'Improvement' of the World,* N ew Haven, Yale University Press, 2000.

Dumett R.E. (ed.), *Gentlemanly Capitalism and British Imperialism: the New Debate on Empire,* London, Longman, 1999.

Dutta, Arup Kumar, *The Khongiya Barooahs of Thengal,* Guwahati, 1990.

Ferguson, Niall, *Empire: How Britain Made the Modern World,* London, Penguin Books, 2003.

Fraser, W. M., *The Recollections of a Tea Planter,* London, 1935.

Gait, Sir Edward, *A History of Assam,* 2nd edition, Calcutta & Simla, Thacker, Spink, 1926.

Goswami, Omkar, "Then came the Marwaris: Some Aspects of the Changes in the Pattern of Industrial Control in Eastern India", *Indian Economic and Social History Review*, 22:3 (1985), pp. 225-249.

------------------ *Industry, Trade and Peasant Society: The Jute Economy of Eastern India 1900-1947*, Oxford University Press, Delhi, New York, 1991.

Griffiths, Sir Percival, *A History of the Indian Tea Industry*, London, Weidenfeld & Nicolson, 1967.

-------------*A History of the Joint Steamer Companies*, London, Inchcape, 1979.

Grove, Richard H., *Green Imperialism: Colonial expansion, tropical island Edens and the origins of environmentalism, 1600-1860*, Cambridge, Cambridge University Press, 1995.

-----------------"Colonial conservation, ecological hegemony and popular resistance: towards a global synthesis", in John M. MacKenzie (ed.), *Imperialism and the Natural World*, Manchester, Manchester University Press, 1990.

Guha, Amalendu, *Planter Raj to Swaraj: Freedom Struggle and Electoral Politics in Assam 1827-1947*, New Delhi, Indian Council of Historical Research, 1977.

Gupta, Sujoy, *Four Mangoe Lane*, New Delhi, privately printed, 2001.

----------------- *Yule Musings*, Calcutta, 1997.

Habib, Irfan, "Studying a Colonial Economy – Without Perceiving Colonialism", *Modern Asian Studies*, 19, 3 (1985), pp. 355-381.

Harcourt, Freda, "The P&O Company: Flagships of Imperialism", in Sarah Palmer and Glyndwr Williams (eds), *Charted and Uncharted Waters: Proceedings of a Conference on the Study of Maritime History*, London, 1982.

Harrison, Godfrey, *Bird & Co of Calcutta 1864-1964*, Calcutta, privately printed, 1965.

Hashmi, Tajil-Islam, "The Communalisation of the Class Struggle: East Bengal Peasantry 1923-1929", *Indian Economic & Social History Review*, No. 25 (1988), pp. 171-204.

Headrick, Daniel R., *The Tools of Empire: Technology and European Imperialism in the Nineteenth Century*, New York and Oxford, Oxford University Press, 1981.

-----------------*The Tentacles of Progress: Technology Transfer in the Age of Imperialism 1850-1940*, New York, Oxford University Press, 1995.

Hoskins, Halford Lancaster, *British Routes to India*, London, Longmans Green, 1928.

Jacomb-Hood, M. S., *A History of Bird & Co 1864-1929*, Calcutta, Bird & Co., privately printed, 1929.

Jenkins, Sir Owain, *Merchant Prince: Memories of India, 1929-1958*, Salisbury, Russell, 1987.

Jog, N.G., *Saga of Scindia: Struggle for the revival of Indian shipping and shipbuilding (1919-1969)*, Bombay, 1969.

Jones, G. G., "The State and Economic Development in India 1890-1947: The Case of Oil", *Modern Asian Studies*, 13, 3, (1979), pp. 353-375.

Jones, Stephanie, *Merchants of the Raj: British Managing Agency Houses is Calcutta Yesterday and Today*, Basingstoke, Macmillan, 1992.

---------------- *Two Centuries of Overseas Trading: the Origins and Growth of the Inchcape Group*, London, Macmillan/University of London Business History Unit, 1986.

Kennedy, Robert E. Jr., "The Protestant Ethic and the Parsis", *The American Journal of Sociology*, 68, 1, (July 1962), pp. 37-47.

Kerr, Ian J., *Building the Railways of the Raj 1850-1900*, Delhi, Oxford University Press, 1995.

Kidron, M., *Foreign Investments in India*, London, Oxford University Press, 1965.

Kling, Blair B., "The Origin of the Managing Agency System in India", *Journal of Asian Studies*, 26, 1, (1966), pp. 37-47.

--------------*Partner in Empire – Dwarkanath Tagore and the Age of Enterprise in Eastern Ind*ia, Berkeley, University of California Press, 1976.

---------------*The Blue Mutiny: the Indigo Disturbances in Bengal, 1859-1862*, Philadelphia, University of Pennsylvania Press, 1966.

Kohler, Peter C., *Sea Safari*, Abergavenny, P. M. Heaton Publishing, 1995.

Leach, Edmund and Mukherjee S. N. (Eds.), *Elites in South Asia*, London, 1970.

Logsdail, A., "Assam Tea Garden Labour Question", *Calcutta Review* 116/232, 1903, pp. 255-259.

Lokanathan P. S ., *Industrial Organisation in India*, London, London School of Economics, 1935.

-------------------*The Managing Agency System: A Review of its Working and Prospects of its Future*, National Council of Applied Economic Research, Delhi/Bombay, 1959.

Lorimer, Douglas A., *Colour, Class and the Victorians: English Attitudes to the Negro in the mid-nineteenth Century*, Leicester, Leicester University Press, 1978.

Maccosh, John, *Topography of Assam*, Calcutta, 1837.

Mangar, Tota C., article in *Stabroek News*, Guyana, 8 May 2003.

Manton, Michael (ed.), *Camellia – The Lawrie Inheritance*, Wrotham, privately printed, 2000.

Martineau, John, *The Life and Correspondence of Sir Bartle Frere*, London, 1895.

Minoglou, I.P., "The Greek Merchant House of the Russian Black Sea: a Nineteenth Century Example of a Traders' Coalition", *International Journal of Maritime History*, X, 1 (June 1998), pp.61-95.

Misra, Maria, *Business, Race and Politics in British India c. 1850-1960*, Oxford, Clarendon Press, 1999.

Morgan, Kenneth, *The Birth of Industrial Britain: Economic Change 1750-1850*, London, New York, Longman, 1999.

Morris D. Morris, "Values as an Obstacle to Growth in South Asia: an Historical Survey", *Journal of Economic History*, 27, 4 (Dec. 1967), pp. 588-607.

---------------- "Private Industrial Investment on the Indian Subcontinent 1900-1939", *Modern Asian Studies*, 8, 4 (1974), pp. 535-555.

Mukherjee, Hena, *The Early History of the East Indian Railway, 1845-1879*, Calcutta, Firma KLM, 1994.

Mukherji, S., "Imperialism through a Mercantilist Function", in *Essays in Honour of Prof S C Sarkar*, New Delhi, 1976.

Munro, Forbes J., "Scottish Overseas Enterprise and the Lure of London: The Mackinnon Shipping Group, 1847-1893", *Scottish Economic and Social History*, 8, (1988), pp. 73-87.

--------------------*Maritime Enterprise and Empire: Sir William Mackinnon and his Business Network, 1823-1893*, Woodbridge, Suffolk, Boydell Press, 2003.

Nandy, Ashis, *The Intimate Enemy: Loss and Recovery of Self under Colonialism*, Delhi, Oxford University Press, 1988.

Orchardson, I. K., *Sir William Mackinnon, Shipowner 1823-1893*, PhD thesis, University of London, 1970, unpublished.

Tawney, R. H., *Religion and the Rise of Capitalism: A Historical Study*, London, 1926.

Timberg, Thomas A., *The Marwaris: from Traders to Industrialists*, New Delhi, Vikas, 1978.

Pigot & Co., *Ayrshire Directory*, 1837, from Ayrshire Roots.com updated 15 April 2005.

Pouchepadass, Jacques, tr. James Walker, *Champaran and Gandhi: Planters, Peasants and Gandhian Politics*, Oxford University Press, New Delhi, Vikas, 1999.

Pugh, Peter, *Williamson Magor Stuck to Tea*, Cambridge, privately published, 1991.

Ray, Subhajyoti, *Transformations on the Bengal Frontier: Jalpaiguri 1765-1948*, Richmond, Curzon, 2002.

Renford R.K., *The Unofficial British in India to 1920*, Delhi; Oxford: Oxford University Press, 1987.

Robb, Peter, "British Rule and Indian 'Improvement'", *The Economic History Review*, XXXIV, 4, (1981), pp. 507-523.

-------------------- *A History of India*, Basingstoke, Palgrave, 2002.

Rungta R. S., *The Rise of Business Corporations in India 1851-1900*, Cambridge, Cambridge University Press, 1970.

Sangwan, Satpal, "The Sinking Ships: Colonial Policy and the Decline of Indian Shipping 1735-1835", in Roy Macleod and Deepak Kumar (Eds.),*Technology and the Raj: Western Technology and Technical Transfers to India 1700-1947*, Thousand Oaks, Sage Publications. 1995.

Schama, Simon, *Landscape and Memory*, London, Fontana, 1996.

Sharma, Jayeeta, "An European tea 'garden' and an Indian 'frontier': the discovery of Assam." *Centre of South Asian Studies (Cambridge), Occasional Paper No. 6, 2002.*

Sinha, S. K., *Footprints on the Sands of Time: an Analytical History of twenty-five years of Balmer Lawrie – 1867-1992*, Calcutta, privately printed, 1995.

Stewart, E. J. C , *Facts and Documents relating to the Affairs of the Union Bank of Calcutta*, Appendix E, London, 1848.

Stewart, Gordon T., *Jute and Empire: The Calcutta Jute-wallahs and the Landscapes of Empire*, Manchester, Manchester University Press, 1998.

Sukla, Prabhat Kumar, *Indigo and the Raj: Peasant Protests in Bihar 1780-1917*, Delhi, 1993.

Symes, Peter, "The Ballindalloch Note Issues of 1830", *International Bank Note Society Journal*, 36, No. 4, 1997.

Tawney, R. H., *Religion and the Rise of Capitalism: A Historical Study*, London, 1926.

Timberg, Thomas, *The Marwaris: from Traders to Investors*, New Delhi, Vikas, 1978.

Tomlinson, B. R., *The Political Economy of the Raj: the Economics of Decolonisation 1914-1947*, London, Macmillan, 1979.

------------- *The Economy of Modern India: 1860-1970*, Cambridge, Cambridge University Press, 1993.

-------------- "Colonial Firms and the Decline of Colonialism in Eastern India 1914-1947", *Modern Asian Studies* 15, 3 (1981), pp. 455-486.

--------------- "Writing History Sideways: Lessons for Indian Economic Historians from Meiji Japan", *Modern Asian Studies*, 19, 3, (1985), pp. 669-698.

--------------- "British Business in India 1860-1970," in R. P. T. Davenport-Hines and Geoffrey Jones [eds], *British Business in Asia since 1860*, Cambridge, Cambridge University Press, 1989.

Townend, H. (ed), *A History of Shaw Wallace & Co*, London, 1965.

Trevelyan G.M., *English Social History*, London, Longmans, Green, 1944.

Ukers, W. H., *All About Tea*, New York, 1935.

Vicziany, Marika, "The deindustrialisation of India in the nineteenth century: a Methodological Critique of Amiya Kumar Bagchi", *Indian Economic and Social History Review*, 16, 2 (1979), pp. 105-143.

Visser, Wayne A.M. and Alastair McIntosh, "A Short Review of the Historical Critique of Usury", in *Accounting, Business & Financial History*, 8,2, (1998), pp.175-182.

Wallace, D. R., *The Romance of Jute: A Short History of the Calcutta Jute Mills Industry, 1885-1909*, Calcutta, 1909.

Washbrook, D., "Law, State & Agrarian Society in Colonial India", *Modern Asian Studies*, 5; 3 (1981), pp. 649-721.

Weber, Max, *The Protestant Ethic and the Spirit of Capitalism*, first published in German in 1904/5; English translation by Talcott Parsons, London, Routledge, 1930/1992.

----------*Hinduismus und Buddhismus*, v. 2 of *Die Wirtschaftsethik der Weltreligionen*, included in the critical edition of the collected works, 1916-1920, Tübingen, 1923; edited and translated as *The Religion of India* by H.H. Gerth and D. Martindale, Glencoe, Illinois, Free Press, 1958.

Weatherstone, John, *The Pioneers: the Early Tea and Coffee Planters and their Way of Life 1825-1900*, London, Quiller, 1986.

Internet sources

www. geocities.com/CapitolHill/7434/history.htm#Modern%20Age (November 2002).

www.defonseka.com/hist_mack01.htm (April 2007)

www.mrbtea.com (November 2002)

www.picatype.com/dig/dn1aa07.htm# (November 2002)

UNIVERSITY OF LONDON

SENATE HOUSE. MALET STREET, LONDON, WCIE 7HU

REPRODUCTION OF THESES

A thesis which is accepted by the University for the award of a Research Degree is placed in the Library of the College/Institution and in the University of London Library. The copyright of the thesis is retained by the author.

As you are about to submit a thesis for a Research Degree, you are required to sign the declaration below. This declaration is separate from any which may be made under arrangements with the College at which you have *pursued* your course (for internal candidates only). The declaration will be destroyed if your thesis is not approved by the examiners, being either rejected or referred for revision.

Academic Registrar

To be completed by the candidate

NAME IN FULL (Block Capitals) MICHAEL GEORGE MANTON

TITLE OF THESIS THE RISE OF THE BRITISH MANAGING AGENCIES IN NORTH EASTERN INDIA 1836-1918

DEGREE FOR WHICH THESIS IS PRESENTED M. PHIL

DATE OF AWARD OF DEGREE *(To be completed by the University)* 31 JAN [illegible]

DECLARATION

1 I authorise that the thesis presented by me in *[2007] for examination for the MPhil/PhD Degree of the University of London shall, if a degree is awarded, be deposited in the library of the appropriate College and in the University of London Library and that, subject to the conditions set out below, my thesis be made available for public reference, inter-library loan and copying.

2 I authorise the College or University authorities as appropriate to supply a copy of the abstract of my thesis for inclusion in any published list of theses offered for higher degrees in British universities or in any supplement thereto, or for consultation in any central file of abstracts of such theses.

3. I authorise the College and the University of London Libraries, or their designated agents, to make a microform or digital copy of my thesis for the purposes of inter-library loan and the supply of copies.

4 I understand that before my thesis is made available for public reference, inter-library loan and copying, the following statement will have been included at the beginning of my thesis: The copyright of this thesis rests with the author and no quotation from it or information derived from it may be published without the prior written consent of the author.

5 I authorise the College and/or the University of London to make a microform or digital copy of my thesis in due course as the archival copy for permanent retention in substitution for the original copy.

6 I warrant that this authorisation does not, to the best of my belief, infringe the rights of any third party.

7. I understand that in the event of my thesis being not approved by the examiners, this declaration would become void.

***Please state year.**

DATE 22/01/07 SIGNATURE

Note The University's Ordinances make provision for restriction of access to an MPhil/PhD thesis and/or the abstract but only in certain specified circumstances and for a maxiumum period of two years. If you wish to apply for such restriction, please enquire at your College/Institution about the conditions and procedures. External Students should enquire at the Research Degree Examinations Office, Room 261, Senate House.

THIS DECLARATION MUST BE COMPLETED AND RETURNED WITH THE EXAMINATION ENTRY FORM