The political economy of trade liberalization: the East India Company Charter Act of 1813

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The East India Company Charter Act of 1813, which ended the East India Company's monopoly of trade with India, has been viewed by historians as a significant event in the emergence of British commitment to free trade. The act opened trade between Britain, India, and south-east Asia to merchants outside London and the E.I.C., provided that such trade was conducted by ships of 350 tons and above. Trade was restricted to the main E.I.C. settlements, and the Company China trade monopoly was preserved. In order to defend northern textile manufacturers from competition, various clauses restricted to London the importation of Indian cotton manufactures, and then only for the purpose of re-exportation. In the long term, British cotton manufacturers took full advantage of the new eastern markets, resulting in the elimination of the Indian cotton industry.

Historians have seen the act as a victory for the emergent class of merchants and manufacturers who, in 1812, lobbied against the retention of the E.I.C. monopoly. For Moss, this success symbolized the arrival of the provincial cities as centres of political influence, challenging the traditional dominance of London. The E.I.C. monopoly had long been criticized by manufacturers and private merchants in Britain, and the right of individual traders to engage in the country trade of India and south-east Asia had long been conceded. Further pressure forced the surrender of limited concessions in the 1793 Charter Act, which allowed private traders in Britain to utilize 3,000 tons of E.I.C. shipping to engage in private trade between Britain and India, subject to Company control of shipping and sales. Nevertheless, before 1813 the Company monopoly of trade between Britain and the east remained largely intact, and the concessions of 1793 did not satisfy the aspirations of non-Company interests in Britain. Recent contributions have challenged the longstanding view that the E.I.C. monopoly was inefficient, and have suggested that the system was effective in exploiting commercial opportunities.

The main concern of this article, however, is the reasoning behind the government decision to end monopoly in 1813, rather than the wider question of the efficiency of the E.I.C. It seeks to examine government motives...
behind the 1813 charter, and re-assesses the significance of the provincial campaigns against monopoly. In opening the India trade, the government was not merely responding to provincial demands for new markets, but was implementing a strategy of its own to combat economic difficulties at home. India was seen primarily as a source of raw materials, rather than as a potential market for British exports. New evidence from ministerial correspondence at the Board of Trade, and careful examination of parliamentary papers reveals the essential features of this strategy, and provides insight into the failure of the E.I.C. and London merchants to defend their monopoly of trade with India. It transpires that the 1813 charter was a product of changing government economic priorities, resulting from the pressures of war.

The years preceding the act were difficult for government. Disruption of trade with Europe was exacerbated by severe deterioration in relations with the U.S. from 1810 onwards, resulting in unemployment and social unrest. 4 The British orders in council of 1807 and 1809 attempted to force all neutral vessels trading with Europe to pay duties at British ports. This provoked tensions with the U.S. which eventually led to war. 5 Provincial businessmen, dependent upon the U.S. for markets and raw materials, launched a campaign against renewal of the E.I.C. India trade monopoly. 6 The two protest movements converged into a 'dual campaign', with a common group of lobbyists and leaders: Roscoe of Liverpool, Spooner and Attwood of Birmingham, Schonswar of Bristol, and Finlay of Glasgow, with Henry Brougham providing a chain of communication between the disparate commercial groups. 7

Through effective leadership, the campaigns overcame problems of conflicting interest and ignorance. Different industrial centres coveted the India trade for different reasons: Birmingham industrialists and Liverpool merchants saw India as a potential market, while Hull, Bristol, and Plymouth wanted a share in the shipping and import trades of the E.I.C. The ignorance of provincial merchants about conditions in India was apparent from their testimonies to the parliamentary select committees on the orders in council and the E.I.C. charter in 1812-3, 8 and prompted sarcastic mockery even from Alexander Baring, a fervent supporter of the campaign of the provinces. 9 Yet disciplined organization, inspired particularly by the leadership of the Liverpool delegation in London, ensured that differences within and between the mercantile groups did not prevent the presentation of a united front on the

4 An excellent account of these events may be found in Tolley, 'The Liverpool campaign against the orders'.
5 Tolley, 'The Liverpool campaign against the orders', pp. 104-5; Moss, 'Birmingham and the campaigns against the orders', pp. 175-7.
7 See Tolley, 'The Liverpool campaign against the orders' and Moss, 'Birmingham and the campaigns against the orders' for biographical information.
8 See Moss, 'Birmingham and the campaigns against the orders', p. 180, and Parliamentary debates, xxii, pp. 89-337 for the various petitions on the E.I.C. charter. Also, see Select Committee on the Orders in Council (P.P. 1812, iii) and Committee of the whole House on East Indian Affairs (P.P. 1812-3, vii).
9 Baring, the head of London's leading merchant bank, had strongly supported the provincial campaign against the orders in council. He was also, however, an opponent of the campaign against the E.I.C. Hansard (Commons) xxvi, 3 June 1813, p. 538.
two questions. These efforts were rewarded by government abandonment of restrictions on both the import and export trade with India in April 1812, and the eventual repeal of the orders in June 1812. While the provinces secured their main aims concerning the E.I.C., repeal of the orders came too late to prevent war with the U.S., and several years of trade disruption followed. While the provincial campaign had been masterful, other considerations also served to precipitate the changes in government policy, and these have not received adequate attention.

I

Although much has been made of the triumph of the provinces in securing the opening of the Indian market, success was already assured by early 1812 when the provincial campaign took off. Growing E.I.C. dependence upon state subsidies had persuaded government of the need for reform of the India trade long before the provincial campaign of 1812. The prevailing government view was that ending the E.I.C. export monopoly to India would bring only limited benefits for British manufacturers, but would do little harm and might appease the mounting political pressure from the provinces. The branch of commerce which caused conflict in March 1812 was the import trade from India to the U.K. In order to sweeten the pill of opening the India market, the President of the Board of Control, Lord Melville, agreed on 21 March to restrict the import trade to the port of London. This considerable concession to the London merchants had been promised earlier in March during discussions between Melville and the E.I.C. directors.

There followed a dramatic change of policy which coincided with a major cabinet reshuffle. Early in April, Melville was moved to the Admiralty, and on 19 April the new President of the Board, Buckinghamshire, made plain to the E.I.C. directorate his intention of throwing open the import trade to provincial ports. This reversal of policy enraged the London merchants and sparked off a hurried but belated campaign to protect London’s privileges. The change has previously been viewed as a result of two factors. First, during March, the provincial delegations in London began to be more vociferous in their demands for an open import trade, and second, there was Buckinghamshire’s deep personal hostility towards the E.I.C. The second point is questionable. There is no doubt that Buckinghamshire’s bitterness over E.I.C. criticisms of his performance when Governor of

10 Evidence of the kind of divisions which existed, even within the leading group of Liverpool merchants can be found in Checkland, ‘American versus West Indian traders’.
11 Tolley provides the best account of these developments.
12 Tripathi, Trade and finance, pp. 98 and 105.
14 India Office Library (hereafter I.O.L.) East India charters, 14, pp. 83-6, Melville to chairman and deputy of Secret Court of Directors, 21 March 1812.
16 Both Philips, The East India Company, p. 183 and Moss, ‘Birmingham and the campaigns against the orders’, p. 180, lay great emphasis upon the role of Buckinghamshire in this change of policy.
Madras in the 1790s engendered a spirit of vengeance in his actions. Nevertheless, the extent of Buckinghamshire’s responsibility for the change in policy is doubtful. On 3 April 1812, George Rose, vice president of the Board of Trade, intervened in the E.I.C. question. Rose was aware of Melville’s promise to preserve the London monopoly of the import trade. He wrote to Melville, making a number of severe criticisms of E.I.C. commercial practices. He referred to the trading restrictions imposed by the E.I.C., and made specific reference to the frustration of British fur-trading expeditions from Canada to China in the 1790s, brought about by the E.I.C. bureaucracy at Canton. Rose insisted that Board of Trade intervention on the E.I.C. charter question was essential, and Melville readily agreed. A personal interview between Rose and Melville was arranged for the following week, at which Rose promised a full review of the E.I.C. question. Although no direct reference was made to the import trade, there is little doubt that Rose supported opening it to all suitable British ports. When, in June 1813, Alexander Baring sought to amend the new charter to protect the London import monopoly, Rose was his fiercest opponent, dismissing the amendment as ‘the merest mockery’. Rose’s intervention was thus probably responsible for government abandonment of earlier promises to preserve the London import monopoly.

The timing of Rose’s intervention suggests that the provincial campaigns were having some effect. Negotiations between Melville and the E.I.C. had been in progress since December 1811, and had been impending for years. Rose recognized that his intervention was late, and that, as a consequence, there was now insufficient time for the thorough review that the matter required. The new momentum of the provincial campaigns in March 1812 probably played a part in stirring Rose into action. He had been entrusted with resisting provincial demands for repeal of the orders in council, and had experienced the wrath of the provinces at first hand. Pacification of the provincial interests on the E.I.C. question might lessen pressure for repeal of the orders.

There is evidence, however, that Rose’s interest was also stimulated by other considerations, related to the severe economic problems confronting the government in 1812. The loss of overseas markets, high unemployment, and social unrest were serious enough, but older difficulties of chronic severity were equally threatening. From the outset, war had fuelled inflation by disrupting overseas trade and causing shortages of grain and other commodities. Excessive expansion of paper money exacerbated this problem, and culminated in major food price increases in 1812. Wartime governments were particularly fearful of the social and political instability which high

17 B.L., Loan 57, Bathurst papers, vol. 5, p. 449, Rose to Melville, 3 April 1812.
18 B.L., Loan 57, Bathurst papers, vol. 5, p. 449, Melville to Bathurst. Rose’s letter was passed on to Buckinghamshire via Bathurst.
19 Hansard (Commons), xxvi, 16 June 1813, p. 686.
20 On one occasion, when meeting a deputation from Birmingham, Rose compared the commercial battle between France and Britain to a contest between two men with their heads in a bucket of water trying to see who could survive drowning longest. Such flippancy served only to infuriate the provincial merchants.
food prices could bring. Hilton has shown that this fear lasted into the peace, prompting the postwar Liverpool administration to introduce protectionist measures to avoid problems of food supply. Trade disruption and shortage also caused concern about raw material supplies and prices. Such problems were often impossible to foresee, thus heightening government anxiety. After 1807, fears about strained relations with the U.S. became particularly acute. A lucrative market for exports, the U.S. was also the main supplier of raw cotton for the British textile industry. Anxiety about these supplies caused merchants to seek alternative sources in south and central America, but such sources did not match the quality of U.S. cotton. Growing belligerence on both sides after 1810 intensified fears of shortage and threatened to inflate prices.

In this context, the import trade from India offered some relief from raw material shortages and the inflation which they engendered. As early as April 1810, reputable and experienced India merchants told a parliamentary select committee that India could supply cotton and sugar cheaply, and in ample quantities. By 1812, anxiety about inflation was acute. In 1811, the price of wheat had soared from 96s. per bushel to 106s. By August 1812 it had reached 155s. and was still at 121s. at the end of the year, bringing riots in Bristol, Sheffield, Macclesfield, and Carlisle. The government responded by trying to secure food imports and stabilize the prices of other essential commodities. Napoleon's continental system and the government's commitment to the orders in council limited scope for action, but other less justifiable barriers to trade, which artificially maintained high prices, were now targets for reform. The most obvious case was the E.I.C. trade monopoly in the east.

For E.I.C. investors, the import trade from India was important as a means of repatriating surplus wealth, and to this end the advantages of monopoly were exploited fully. The Company's enormous warehousing capacity ensured that commodities need only be sold when demand was sufficient to produce satisfactory prices. At E.I.C. sales, bids were accepted only if they exceeded a minimum level set by the company, thereby establishing an artificial 'floor' price below which Indian commodities could not fall. In 1813, the Commons Committee considering the E.I.C. charter was told that governments had always approved of this system, because higher prices would bring more tax revenue. The committee noted the disadvantages of this system in the high inflation of 1812. As early as 1809, London-based private merchants had also complained about the high cost

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23 *Fourth report of the Select Committee on East India Affairs* (P.P. 1812, vi), joint testimony of Henry Trail, Henry Fawcett, John Innes, and R.C. Bazett, 10 April 1810, p. 292.
26 Ibid., p. 334.
27 *Select Committee on East Indian Affairs* (P.P. 1812-3, vii), testimony of John Vivian, Solicitor in Excise, p. 219.
28 Ibid., p. 219.
29 Ibid., p. 227.
of freight on E.I.C. shipping, and recurrent problems of delay.\textsuperscript{30}

The select committee’s report strongly supported these complaints, and drew attention to the shortcomings of monopoly. The government was also unimpressed by E.I.C. efforts to supply Indian raw cotton to offset shortfalls of American cotton.\textsuperscript{31} A major problem for the E.I.C. was that expectations of shortage in 1810 did not materialize, due to the efforts of merchants trading with south and central America. The British market therefore remained well stocked until 1813-4.\textsuperscript{32} In spite of the glut, the Board of Trade remained anxious about future supplies and continued to request increased imports of Indian cotton from the E.I.C. and private merchants.\textsuperscript{33} When the domestic cotton glut resulted in the cotton remaining unsold in the London warehouses, the E.I.C. and private merchants requested permission to re-export the commodity to Europe, although this violated wartime restrictions on trade with the continent. Mindful that compliance would enrage manufacturers who had been refused a similar request, the government rejected the E.I.C. overtures.\textsuperscript{34} That the government was enthusiastic about importing Indian raw cotton is clear from Bathurst’s letter to Liverpool in October 1812,\textsuperscript{35} in which he advocated a British blockade of American ports, on the ground that this would hurt the U.S. more than Britain, which would be insulated from the worst effects of trade disruption by Indian cotton imports.

Growing interest in Indian cotton, however, was clouded by dissatisfaction with E.I.C. trading practices. Both Rose and Bathurst were aware of alleged difficulties in using Indian cotton for manufacturing,\textsuperscript{36} but there were merchants who claimed publicly that it was E.I.C. restrictions which prevented the cultivation of suitable raw cotton in India. Trail, Fawcett, Bazzett, and Innes were adamant in evidence to the select committee of 1810, that it was the E.I.C. monopoly alone which prevented India from becoming a principal supplier not only of raw cotton, but also of other raw materials.\textsuperscript{37} Their view was supported by the testimonies of William Fairlie, the prominent India merchant, and by those of the soldier Colonel Thomas Munro to the 1813 committee on the E.I.C. Charter.\textsuperscript{38} Even though Munro defended the E.I.C. monopoly, he claimed that free trade would reduce freight charges and stimulate greater involvement by British merchants in the Indian raw cotton trade, thus bolstering raw cotton prices in India and leading to increased production by Indian cultivators. Munro also asserted that British merchants familiar with the needs of manufacturing could guide

\textsuperscript{30} Fourth report of the Select Committee on East India Affairs (P.P. 1812, vi), testimony of Henry Trail, 15 May 1809, p. 208; and testimony of Henry Fawcett, 15 May 1809, p. 209.

\textsuperscript{31} Edwards, \textit{British cotton trade}, p. 99.

\textsuperscript{32} Tolley, ‘The Liverpool campaign against the orders’, p. 106.

\textsuperscript{33} B.L., Loan 57, Bathurst papers, vol. 95, letter 95, Rose to Bathurst, 17 Aug. 1810.

\textsuperscript{34} B.L., Loan 57, Bathurst papers, vol. 4, p. 382, Peel to Bathurst, 25 Aug. 1810, and vol. 95, letter 98, Rose to Bathurst, 29 Aug. 1810.

\textsuperscript{35} B.L., Add. MS 38,250, p. 42, Bathurst to Liverpool, 3 Oct. 1812.

\textsuperscript{36} B.L., Loan 57, Bathurst papers, vol. 95, letter 95, Rose to Bathurst, 17 Aug. 1810.

\textsuperscript{37} Fourth report of the Select Committee on East India Affairs (P.P. 1812, vi), p. 292.

\textsuperscript{38} Committee of the Whole House on East Indian Affairs (P.P. 1812-3, vii), testimony of Fairlie, 9 April 1813, p. 117; testimony of Munro, 13 April 1813, p. 136.
Indian cultivation of the commodity to meet required standards. Thus, free trade would ensure a plentiful, stable supply of raw cotton of the right quality and at the right price. Munro conceded, and his questioners recognized, that only by opening India to the diverse talents of the outport merchants could cheap and plentiful staple commodities be procured. Free competition would ensure a responsiveness to the needs of the British market which the E.I.C. had never provided.

Other commodities were also identified for their import potential. Munro mentioned hemp and shipping cable; Thomas Garland Murray, an East Indiaman captain, referred to India’s potential for sugar production. James Sedgwick, chairman of the Board of Excise for Scotland, emphasized demand for Indian imports north of the border. In April 1812, Bathurst was encouraged anonymously to increase imports of Indian rice to alleviate domestic food shortage. Bathurst took the suggestion seriously, and passed it on to Lord Liverpool, though he expressed doubt that Indian rice could acquire major importance. Silk manufacturers argued for larger imports of Bengal silk to boost the competitiveness of British silk manufacturing, implying criticism of the E.I.C.’s record as a silk importer.

These testimonies undermined government confidence in the E.I.C. monopoly, and supported the view of Rose and other ministers that free competition would ensure plentiful supplies of cheap Indian commodities for the British market. Indian raw material production would be moulded by market forces to meet the requirements of British manufacturers and the European market. This plan did not imply that India would become a main supplier of any commodity—rather it recognized India’s value as a supplementary source of raw materials, helping to keep prices low and ensuring alternative supplies when trade disruption cut off imports from principal suppliers. A good example proved to be the replacement of American raw cotton by Indian supplies between 1813 and 1819, prompted initially by the Anglo-American war. Thereafter when American cotton was overpriced, Indian supplies would rescue the British manufacturer from inflationary pressures.

Much of this helps to explain changing government attitudes to wartime economic and social problems. The wartime emergence of ‘liberal Toryism’ as a strategy for managing conflict through free competition and compromise with and between competing pressure groups has been described by Cookson. In this approach, the state saw the market as enforcing discipline in social behaviour. Economic liberalism was, however, also concerned with more tangible considerations. For the Liverpool administration, the free

39 Ibid., p. 136.
40 Ibid., Munro’s testimony, 14 April 1813, p. 154.
41 S.C. on East Indian Affairs (P.P. 1812-3, vii), testimony of Murray, 10 May 1813, pp. 426-7.
42 Ibid., testimony of Sedgwick, 3 May 1813, p. 310.
43 B.L., Loan 57, Bathurst papers, vol. 21, pp. 80-101, anonymous letter to Bathurst, 26 April 1812.
44 B.L., Add. MS 38,250, p. 43, Bathurst to Liverpool, 3 Oct. 1812.
45 S.C. on the Orders in Council (P.P. 1812, iii), testimony of William Hole, 20 May 1812, p. 312.
46 S.C. on Manufactures, Commerce and Shipping (P.P. 1833, vi), testimony of G.G. de H. Larpent, 6 June 1833, p. 136.
market was more than part of a political strategy to retain power—it offered practical solutions to specific problems.

Historians have identified some of the motives for trade liberalization outlined above, but have generally attributed them to later governments. Harnetty showed the importance of India as a supplier of Indian cotton during the American civil war. More recently, however, Siddiqi has speculated that India was supplying raw materials to counter inflationary pressures during the Napoleonic wars. He has also asserted that in the early nineteenth century the Indian economy was being shaped to meet the needs of the British economy. This policy involved manipulation of the India-China-U.K. trade to ensure a flow of bullion from India to the U.K. Adjustment of the system of exchange between Britain and India then ensured that Indian commodity prices could be depressed. In turn, this meant low incomes for Indian cultivators and the deterioration of Indian foreign trade. The British government’s deliberations on the 1813 charter displayed many of the features of the strategy described by Siddiqi. The 1813 Act affected Indian economic development adversely, and not only by the destruction of the Indian cotton cloth industry. Manipulation of the Indian economy to force down raw material prices was another factor which has not been sufficiently recognized.

II

The murder of Perceval and the Liverpool administration’s need to consolidate ensured that the reversal of Melville’s policy on the import trade would not be enforced until formal consideration of the charter in 1813. The rival factions used this interval to press their respective cases. On 9 May 1812, the provincial deputations pressed Perceval and Buckinghamshire for complete opening of the India trade, and the Liverpool contingent remained in London throughout the summer to monitor proceedings. Individuals lobbied the government in the autumn of 1812. When, at the end of 1812, the London interests mobilized to defend the E.I.C. monopoly, the Liverpool men rallied their provincial allies back to London.

Meanwhile, in April 1812, sudden fear of an open import trade from India rallied the hitherto inactive London interests. On 21 April, a meeting of London merchants denounced the plan, arguing that Indian piece goods would undercut the prices of British cotton goods, and a second meeting revealed the extent of their panic at the prospect of competition in the import trade. Philips claims that London merchants who had previously

48 Harnetty, ‘Cotton exports’.
49 Siddiqi, ‘Money and prices’.
50 Ibid., pp. 240-1.
51 Ibid., p. 253.
52 B.L., Add. MS 38,410, p. 81.
53 B.L., Add. MS 38,410, p. 87, Attwood to Liverpool, 18 Sept. 1812, B.L. Loan 57, Bathurst papers, vol. 6, p. 598, Samuel Fereday to Bathurst, 12 Oct. 1812.
54 B.L., Add. MS 38,410, p. 185, Earle, chairman of Liverpool delegation to other provincial delegations, 7 Dec. 1812.
opposed the E.I.C. monopoly because it was inefficient in repatriating private fortunes from India, now pivoted to defend the monopoly.\(^57\) Trail, Innes, Bazzett, and Fawcett, however, did not sign the petitions of 21 and 25 April, indicating that the London merchants were not unanimous in defence of the E.I.C. Nevertheless, on 24 April, Attwood of the Birmingham delegation did indicate a switch from opposition to monopoly to support for it by a group of London merchants, thus supporting Philips's interpretation.\(^58\) The contradictory and self-interested pleas of the London interests were dismissed by Buckinghamshire.\(^59\) Their only argument which received serious attention was that opening the import trade would undermine state revenues through increased smuggling.\(^60\) The government undertook detailed enquiries on this point between August and November 1812, only to conclude that liberalization of trade would not, in fact, endanger revenue.\(^61\)

Government deliberations were more influenced by Sir George Staunton, a supercargo at Canton. His paper revealed numerous dangers in opening the company’s China trade.\(^62\) The xenophobia of the Hong merchants threatened to turn free British access to Canton into violent conflict. Buckinghamshire was persuaded by these arguments, and the China trade remained in E.I.C. hands until 1833. Significantly, this was not the doing of E.I.C. negotiators, who had presented similar arguments since spring 1812, thus illustrating the lack of influence of the E.I.C. within governing circles.

By the time the parliamentary committees on the charter sat in March and April 1813, the government was already committed to full opening of the India trade. Testimonies of merchants and E.I.C. officials against opening had little effect. As shown, the comments of some defenders of monopoly reinforced optimistic assessments of India’s potential as a source of raw materials. Attempts to amend the charter came to nothing, and it was passed in July. The charter maintained the E.I.C. China trade monopoly, but opened India and south-east Asia to free trade from the U.K. Private ships of 350 tons and above trading with India could now enter or leave most British outports. Trade in India was restricted to the main company settlements, unless special dispensation was granted by the E.I.C. or the Board of Control. The various other restrictions included measures to prevent over-colonization of India, and to defend British manufacturers from Indian competition.

Though a major defeat for the E.I.C., the charter could have been harsher. The profitable China trade was retained by the E.I.C., along with political control in India. Nevertheless, the provincial interests were delighted with their gains. The campaign had been presented as a crusade against ‘London corruption’, and their victory as a blow against the political dominance of the capital.\(^63\) The decision to end monopoly, however, was not solely a result

\(^{57}\) Philips, *The East India company*, p. 182.


\(^{59}\) Tripathi, *Trade and finance*, p. 110.

\(^{60}\) B.L., Add MS 38,410, p. 70, Brown to Perceval, 25 April 1812.


\(^{63}\) Moss, ‘Birmingham and the campaigns against the orders’, p. 185.
of provincial pressure; shortages, inflation, and uncertainty about the economy in wartime were equally important in government calculations.

III

The effectiveness of the provincial campaign contrasted with the abysmal failure of the London merchants to influence events. Since London finance had become a pillar of the British state, this failure is surprising. During the Napoleonic wars, London financiers had become crucial instruments of British foreign policy, channelling funds to Britain's allies. London finance carried formidable political clout. Hilton suggests that the British state of the early nineteenth century was more responsive to city financiers than to the needs of northern manufacturers. Cain and Hopkins demonstrate that 'gentlemanly capitalists' who funded the national debt were incorporated into the political elite in the eighteenth century, while industrialists remained outsiders. Rubinstein shows that, in general, financiers were more affluent than industrialists. Chapman argues that financiers prospered at the expense of northern industrialists by charging them high commissions for finding overseas markets. In the light of this, why were the London interests unable to make a significant impact on the E.I.C. question in 1812-3?

First, London merchants were diverse. Different groups traded with different parts of the world. The ensuing conflict of interests made unity difficult to achieve. Problems for merchants trading with one geographical region created opportunities for others trading elsewhere. Consequently, major questions of overseas trade often set London merchants against each other, rather than uniting them. The orders in council illustrate the problem. Many London merchants, such as Alexander Baring, were heavily involved in the American trade and had opposed the orders as early as 1808. By 1812, however, a rival group of London merchants trading with the West Indies, Canada, and Europe were strongly supporting the orders. They had prospered from the disruption of the American trade and wished to see the orders continue. Imports of West Indian cotton had increased to replace American supplies, and merchants trading with Canada also found the situation advantageous. European specialists supported the orders to break Napoleon's continental embargo, while Mediterranean merchants feared competition from American neutrals. Similar divisions existed in Liverpool between West Indies and American merchants, but there the dominance of

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64 Cain and Hopkins, 'Political economy of British expansion', pp. 470-1.
66 Hilton, Corn, cash and commerce, pp. 35-6.
68 Rubinstein, 'Wealth, elites and the class structure'.
69 Chapman, 'Financial restraints on the growth of firms'.
the American merchants and co-operation with other provincial cities ensured unity on political issues of major importance. The size and diversity of the London commercial sector prevented such unity.

That there was division in London on the E.I.C. question was evident in 1810 from the complaints of London East India agency houses against the E.I.C. import monopoly. These firms had been set up by British merchants returning from India to maintain financial connections with Indian-based firms, and to repatriate wealth created in India. The E.I.C. monopoly restricted this repatriation of wealth, provoking criticism by the London houses. Only when the London houses' interests were threatened by the prospect of rivalry from the outports in the import trade, did they offer half-hearted support to the E.I.C. Divisions were only papered over.

The second reason for the impotence of London stemmed from major changes there during the Napoleonic wars. Many older merchant firms were eliminated by the hardships of war, as the continental blockade, war with the U.S., and the failure of South American speculation exacted a heavy toll.72 A new generation of merchants and financiers rose to prominence, from very different origins. Many were foreign, fleeing wartorn Europe; Huguenots and Jews escaping religious persecution, Dutch and Germans attracted by British economic success. The influx began in the eighteenth century as London replaced Amsterdam as the financial centre of Europe, and was accelerated by war. The rise of the most famous of these, the Barings and Rothschilds, has been well recorded.

The consequence of these changes was temporarily to diminish London as a centre of political influence, as older merchants refused to co-operate with the new men. The prejudice and xenophobia of the merchant Anthony Schlick was typical. Schlick condemned German and other foreign newcomers, and all aliens who 'make their harvest now by perjury and fraud, thereby staining the character of England'.73 This disunity made it very difficult for London merchants to maintain a common front, a fact not lost on some provincial merchants. In 1808, the wife of William Rathbone, the Liverpool merchant, described the inability of the London merchants to mobilize against the orders in council.74 Although 41 merchants, led by Francis Baring, did eventually submit a petition on the issue, they relied heavily upon the direction of Liverpool men like Rathbone.75

Moreover, differences arose not only from nationality and religion. New merchants like Alexander Baring and Nathan Rothschild adopted a new commercial strategy, looking towards a liberalization of international commerce and away from past restrictive practices. Both merchant bankers had been prominent investors in the E.I.C. at the beginning of the century, and while it is difficult to ascertain the scale of their involvement in company affairs in 1813, a shift in their interests away from Leadenhall Street is apparent. Whereas older firms had prospered largely from financial dealings

72 Chapman, The rise of merchant banking, pp. 10-1.
74 Liverpool Local History Library, Roscoe papers, item 3061, Mrs W. Rathbone to Roscoe, 29 Feb. 1808.
75 Ibid., item 3062, W. Rathbone to Roscoe, 1808.
with the state and monopolistic organizations such as the E.I.C., the new merchants flourished because of the liberalization and expansion of international commerce.

Barings and Rothschilds profited from a web of overseas contacts and investment opportunities in a fast developing world economy. Barings' emerging role as banker to the U.S. government was an excellent example of this process. From early connections with the E.I.C., the House of Baring grew into a merchant house of international repute. As Barings' international dealings superseded their E.I.C. interests, the firm became increasingly critical of monopolistic restrictions. Francis Baring, a defender of the E.I.C. monopoly in 1793, had become, by 1807, a stern critic of E.I.C. attempts to restrict American trade with British India. A year later, he was championing the London campaign against the orders in council. Alexander Baring's support for free trade was even stronger than his father's, and the strengthening of these liberal convictions in the family reflected the firm's growing interest in free international commerce. Self interest, however, prevented Alexander from applying his liberalism to the E.I.C. import monopoly. He feared the unpredictable consequences for London of provincial competition, which might have detrimental effects upon Barings. The question caused him much discomfort, even though he did table an amendment on 16 June 1813 against the opening of the import trade to the outports. As late as 3 June, Baring had expressed some sympathy for the justice of the outport case, and seems to have resorted to his amendment with reluctance.

As the leading London merchant, who had been most active on the orders in council question, Baring was surprisingly subdued in the E.I.C. debate, leaving leadership of the London campaign to others. This indecision symbolized the ambivalence of the new generation of merchants, whose interests lay with the expansion of international trade and the removal of monopolistic barriers. Political support for the E.I.C. monopoly ran contrary to those interests, and many merchants provided this only when they perceived a threat to themselves from outport competition. Such qualified support was never likely to be effective.

The London East India houses were also confused. In 1810 some had advocated the end of the E.I.C. monopoly, thereby improving facilities for the repatriation of Indian profits, and opening new opportunities for the importation of Indian raw cotton. Philips and Moss show that some of them reversed their position when the government's intention to open the import trade became clear in April 1812. As the petitions of 1812 did not name the dissident merchants, it is difficult to ascertain how many merchants changed their minds, and even those who did could hardly have been enthusiastic defenders of the E.I.C. Many were concerned mainly with
securing the opportunities afforded by the import trade in raw cotton rather
than defence of the E.I.C. The revival of American imports in 1810–1 created
a glut in cotton stocks, and by 1812 London East India agents were struggling
to sell Indian cotton. Early in March 1813, they petitioned the Board of Trade
to embargo American cotton imports, and encourage Indian production. All
the main East India firms signed the petition, which identified advantages
likely to accrue from the encouragement of Indian cotton. Edwards shows
that the London firms were supported by London and Liverpool merchants
involved in the cotton import trade from Brazil and the West Indies. The
attempt to embargo American cotton failed, but a subsequent petition in
May 1813 revealed the superficiality of the East India merchants' support
for the E.I.C. They argued that the imminent end of the E.I.C. monopoly
would improve their ability to import Indian cotton cheaply and efficiently.
Liberalization of the India trade, it was implied, would improve cultivation
and transportation of the commodity, to the benefit of the British economy.
Thus, far from defending the monopoly, the East India firms were, by
spring 1813, manipulating its impending demise to strengthen the defence
of their own import interests.

The failure of London business to defend the E.I.C. monopoly and
London's control of the Indian import trade, was largely a result of division
in its ranks. By June 1813, an observer noted the apathy and low morale
which pervaded the Court of Proprietors. Longstanding divisions were
partly to blame, but the emergence of new merchants, committed to a more
liberal environment for trade, also contributed to disunity. In this transitional
environment, questions concerning the defence of monopoly were always
likely to produce indecision and paralysis. The predicament of the London
merchants was in stark contrast to their provincial counterparts, who were
able to use the coincidence of the orders in council and E.I.C. questions to
construct an impressive alliance of divergent commercial interests. In contrast
with the past, in 1812–3, London appeared to be politically impotent in the
face of an effective onslaught from the outports and industrial cities.

The success of the provincial campaign owed much to the shrewdness of
its leaders, who played a crucial role in creating a misleading illusion of
solidarity and coherence among the diverse provincial interests. There is a
danger, however, that the importance of the provincial interests in opening
the India trade may be overstated. The government already intended to open
the export trade to India before the provincial campaign began. Moreover,
provincial unity was short-lived. When trade with Europe became easier
after 1812, the economic pressures which had forced the provincial interests
together became less acute. From then on, it proved very difficult for the
provinces to organize further campaigns which could replicate the breadth

82 P.R.O., BTI/74, p. 291, petition from London E. India agency houses, 6 March 1813.
83 Edwards, British cotton trade, pp. 102–3.
84 Hansard (Commons), xxv, 3 May 1813, pp. 1117–20.
85 B.L., Add MS 29188, p. 135, Toone to Hastings, 21 June 1813.
and unity of 1812. Tolley shows clearly that the Liverpool American merchants, and their allies among the provincial manufacturers, were to find themselves in a minority when trying to persuade the government to make a peace settlement in the American war. Not until the reform agitation of the late 1820s were the provinces again to mobilize effectively in pursuit of common interest.

The government’s role in the opening of the India trade was more important than previously assumed. Its decision to open the export trade was not elicited by provincial pressure, and indeed on the import trade question government ministers were motivated by a cogent economic strategy of their own. This strategy was designed to combat inflation and secure essential supplies of cheap raw materials, thus helping to maintain social stability. The administrations of Liverpool after 1815 displayed strong concern about economic affairs, regarding the security of food and raw material supplies as imperative in the national interest. This outlook emerged in the last years of the war, and one consequence was that India, for so long regarded as a burden providing only luxuries for the elite, began to be seen as a provider of raw materials in time of crisis. The large volume of evidence presented to the government on the value of India as a supplier of raw materials was far more convincing than the few testimonies which depicted India as a potential market for manufacturers. In truth, the government could not be certain about the extent of India’s potential for raw materials; its judgement was largely based upon the individual testimonies of officials and merchants rather than any systematic investigation. Nevertheless, the volume of these favourable opinions was sufficient to convince government ministers that an opening of the import trade would bring considerable advantages, and no serious disadvantages. Thus, while provincial efforts had focused the attention of government on the import trade question, the decision to open imports to the provinces was more than a passive response to pressure group activity.

Finally, the weakness and disunity of the London merchant community was a decisive factor in the demise of the India monopoly. The fact that a growing number of London merchants were beginning to appreciate the advantages of the removal of trade restrictions resulted in uncertainty and hesitancy when the E.I.C. charter question came to the fore in 1812-3. During the previous charter negotiations of 1792-3, the resolute determination of key sections of London business had been decisive in preserving the E.I.C. monopoly, and at that time the efforts of the provincial merchants to undermine these privileges had come to little. Had the London interests mobilized effectively in 1812, provincial victory on the import trade might well have been denied. It had been dissident London merchants and thoughtless E.I.C. officials who had brought the potential of India for raw materials to the attention of parliament and government, thus providing the basis for the import strategy of ministers like Rose. Stronger discipline and organization among the London merchants, and careful management of the information they provided to parliament, such as was achieved by the
provincial interests, might have avoided the emergence of this view in governing circles.

As it happened, disorganization prevailed and London's commercial elite was bested by the provincial merchants and industrialists. It was a short-lived phenomenon. After the war, the new breed of London merchants grew in wealth and influence. In the decades after the war, London was to regain political and economic dominance over the provincial cities. The revival was due to London's success in exploiting its central role in a fast developing international economy. From this perspective, the failure of the London interests in 1813 must be regarded as a temporary moment of weakness, stemming from turbulent changes caused by transition in the nature of London's economic activities. In the long run, the international economy was to provide an ideal environment for London interests. Once adjustments had been made the new merchants were to reassert the traditional dominance of London—with a vengeance.

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