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# The Dangers of Corporate Champions: The East India Company's Devastating Impact on Britain

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**Claremont McKenna College**

**The Dangers of Corporate Champions:  
The East India Company's Devastating Impact on Britain**

**Submitted to**

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**for**

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## **Abstract**

This paper argues against the common historical belief that the British East India Company's actions benefited the British Public. While many recent historical works argue that the Company had detrimental effects on India, the common consensus believes that the Company's actions while pillaging India benefited Britain through economic treasures and access to luxuries.

In the first section of the text, the author describes the British East India Company's corruption, propaganda, and lobbying efforts to enrich individual members of the Company and protect personal and corporate profits. The next section describes the Company's impact on Britain and argues that the Company was an overwhelmingly negative investment for the British taxpayer.

The author compares the East India Company's historic actions and impact on Britain to the impact of modern big corporations on their own nations. The text concludes with an argument that the popular narrative, which holds that large corporations' interests coincide with that of the nation's public interest, is both inherently mistaken and fraught with danger. The author argues against a zero-sum worldview and for a corporate sector with checks and balances.

## Intro

The current political climate throughout much of the world rings with a chorus of protectionism and enraged calls for governments to prioritize their own narrow national interests above all else. The United States elected a protectionist, populist President; the UK voted to leave the European Union because of a protectionist, populist campaign; Poland elected the far-right Law and Justice Party; the Philippines elected a protectionist, populist President who campaigned to “fill Manila Bay” with the bodies of criminals; and several more elections in the coming months may further this trend, including the Turkish election of an authoritarian, nationalist leader and the possible French election of an anti-EU prime minister. Invalid perceptions of a zero-sum world mandate governments to shred bilateral deals, to view concessions as weakness, and to treat pugnacity as strength. Media and politicians together present corporations as national champions. Articles such as “The Netflix of China is Invading America” or “VW Conquers the World” are written to instill fear, while stories of American business success brew national pride.<sup>12</sup> Corporate logos have replaced national banners as symbols of a nation’s economic, scientific, and cultural dominance. Corporate bottom lines, their capital worth in the stock market, and their products’ positions on shelves are consistently linked to the success and prestige of those corporations’ mother nations.

In his confirmation hearing to become Secretary of Defense for President Eisenhower, General Motor’s CEO Charles Wilson famously said, “What was good for our country was good for General Motors, and vice versa”. Media and politicians treat

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<sup>1</sup> Cade Metz, "The Netflix of China is invading the United States with smartphones," *CNN* 19 May 2015.

<sup>2</sup> The Economist, "VW conquers the world," *The Economist* 7 July 2012.

this statement as fact: big American companies are America's champions. They both display and further its greatness. The American public's faith in this core belief was shaken in the aftermath of the Great Recession, but despite some percolation of doubt, the concept remains as a core thread of American ideology. Each successive American presidential hopeful has promised to cheering crowds their intention to strengthen the domestic auto industry. In the 2016 election, the candidate who most vehemently promised ultimately won-- Donald Trump. News agencies cheer the spread of Starbucks, McDonalds, Apple, and GM around the globe, and people protest in the streets and decry Japanese take-overs and "Made in China" labels. Headlines such as, "China beating US in Race to Invest in Africa" frequent trusted publications and propagate the idea of a grand national corporate competition.<sup>345</sup>

People inherently view their nation's corporations as competitors against foreign powers and as a proxy for national pride. For example, the United States Congress threatened a "harsh political reaction" against China in order to block a Chinese petrol company's takeover of the American UNOCAL, purely to preserve national pride.<sup>6</sup> Congress used the pretense of "national security" to stop the takeover, but simultaneously trusted China to manufacture the very electronic chips that operate American missiles.<sup>7</sup> The belief that corporations are national champions is far from an exclusively American ideology. The Chinese government is notorious for aiding domestic companies

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<sup>3</sup> John Burnett, "China Is Besting the U.S. in Africa," *US News* 24 March 2015.

<sup>4</sup> Francis Njubi Nesbitt, "America vs China in Africa," *Forbes* 1 December 2011.

<sup>5</sup> Max Nisen, "The US can't beat China's ambitions in Africa," *Quartz* 5 August 2014.

<sup>6</sup> David Barboza, "Chinese Company Ends Unocal Bid, Citing Political Hurdles," *Yale Global*, accessed 15 April 2017.

<sup>7</sup> *The Economist*, "Why everything is hackable," *The Economist* 8 April 2017.

monetarily, politically, and legally against foreign competitors (e.g. Uber's failed attempt to penetrate the Chinese market). The French government marked Danone, a small food company that sells Activia, as a "strategic asset" to prevent Pepsi from purchasing the national treasure.<sup>8</sup>

The belief that the global economy operates as a zero-sum game, has recently reemerged as a political phenomenon. The same forces that formerly promoted high tariffs and protectionist policies throughout the 20<sup>th</sup> century have returned to the fore. President Trump rants on the "bad" free trade deals such as NAFTA and the Trans-Pacific Partnership. He, and a modern cohort of populists like him, believes that the nation is being cheated and robbed by the global economic system. He even suggests that as a more powerful country, America deserves to get its way at the expense of others.

Using the historical example of Britain and the East India Company, this thesis argues the dangers of a zero-sum economic world and the misalignment of interest between corporations and the nation's citizens.

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<sup>8</sup> Gina Chon, "French deals scuttled to protect strategic assets of yogurt, bottled water, and online video," *Quartz* 30 April 2013.

“Gardner's interest lies firmly with the Company's 'destiny’”- Review of *The East India Company: a history*: **1972**

“fierce and bloody battle between the all-powerful Dutch East India Company and a small band of ragtag British adventurers led by the intrepid Nathaniel Courthope”. Description from *Nathaniel's Nutmeg: Or the True and Incredible Adventures of the Spice Trader Who Changed the Course of History*: **2000**

“The English East India Company was the mother of the modern multinational. It’s trading empire encircled the globe, importing Asian luxuries such as spices, textiles, and teas.” Description of *The Corporation That Changed the World: How the East India Company Shaped the Modern Multinational*: **2006**

“Fortune's danger-filled odyssey, magnificently recounted here, reads like adventure fiction, revealing a long-forgotten chapter of the past and the wondrous origins of a seemingly ordinary beverage”. Description of *For All the Tea in China: How England Stole the World's Favorite Drink and Changed History*: **2011**

“For the next 250 years, the struggle for supremacy between the Portuguese, the Dutch, and the English was to range across the Eastern Seas” Description of *East Indies: The 200 Year Struggle Between the Portuguese Crown, the Dutch East India Company and the English East India Company for Supremacy in the Eastern Seas*: **2014**

“The English East India Company would become a vital part of burgeoning British supremacy” – Description of *The East India Company: From Beginning to End*: **2016**

Contemporary textbooks and historical narratives portray the East India Trading Company in a number of ways: as Britain's champion that, against all odds, secured treasure and glory in the East from rival powers; a romantic tale of exotic adventure; or an interesting experiment in an early trade and markets that had a large negative impact on India, but brought wealth back home. In reality, the East India Company was a small group of corrupt British and Scottish merchants and gentry that became fabulously wealthy at the expense of the British and Indians alike. A more accurate narrative depicts the East India Trading Company as a force that takes lives and resources from Britain and India and creates communicable corruption, military strife, and social upheaval. This essay argues against the conventional view that Britain benefited from the Company's actions and demonstrates 1) how members of the East India Company convinced Britain that the interests of the Company and those of the State were aligned; 2) how they galvanized the nation to act on its behalf; and 3) how the Company's servants (the modern equivalent of employees) pressed their economic and political interests and the effect the company had on Britain's society, politics, economy, and military.

### **Conventional British Overview of the East India Trading Company**

India is nearly a continent unto itself. This region has birthed some of history's great empires, religions, and technologies. Indian Empires stopped Alexander the Great in his tracks; fostered religions like Hinduism and Buddhism which guide the souls of

25% of the world's population; and produced advances such as the concept of 0, the cotton gin, and trigonometry.<sup>9</sup>

The force that eventually subjugated this proud continent had humble beginnings. *The Company of Merchants of London Trading into the East Indies* was founded in the last days of the 16<sup>th</sup> century.<sup>10</sup> As its title suggests, the Company was an early enterprise of London merchants that sought to profit off of the spice trade in the East Indies (Southern Asia) and gained a royal charter from Elizabeth I to have a monopoly on the trade between Britain and the East Indies. In 1608 the Company first landed in India and docked at a town called Surat (on the west coast of India near Bombay) giving it rare access to spice not controlled by the Dutch or Portuguese.<sup>11</sup> In the modern world of global trade, a Royal granted monopoly over Asian trade would appear to be a gift of immense power and wealth, however, at the time, the monopoly was essentially worthless because the Company could not make effective use of their legal British monopoly. The Portuguese and the Dutch had made impressive inroads into the region and would fiercely oppose any attempts from the British to take any market share. The Amboina Massacre of 1623, where English, Japanese, and Portuguese traders were slaughtered at the hands of the Dutch, highlights the rivalry between each country's merchant groups.<sup>12</sup> If the Royal Charter given to the Company was to have any value, the Company had to fight tooth and nail against already entrenched European competitors.

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<sup>9</sup>Fordham University, "Internet Indian History Sourcebook," *Fordham University*, accessed 15 April 2017

<sup>10</sup> George P. Landow, "The Victorian Web: The British East India Company — the Company that Owned a Nation (or Two)," *The Victorian Web*, accessed 20 March 2017.

<sup>11</sup> The East India Company, "The East India Company," *The East India Company*, accessed 15 April 2017

<sup>12</sup> Landow, "The Victorian Web: The British East India Company — the Company that Owned a Nation (or Two)," accessed 20 March 2017

The competition necessitated that the newly christened East India Trading Company assemble its own military force and administrative department. For a little more than a century, this now-militarized and organized force with a toehold in the subcontinent, taken from the Portuguese, continued as originally intended. It was a small enough undertaking that it viewed each individual ship as a separate enterprise, with separate individual investors and insurers for each ship.<sup>13</sup> As the Company grew, the British Government became an increasingly large proprietor of its stocks and bonds, effectively tying its own interests with the Company's fate. The East India Company continued to expand slowly, and by 1668 they had managed to carve out toeholds and factories in the cities of Madras (south-east coast of India), Bombay (just south of their original landing point in Surat), and, most importantly, Calcutta (north-east coast of India, bordering Bangladesh).<sup>14</sup>

By the mid-eighteenth century, Robert Clive and John Zephaniah Holwell transformed the East India Trading Company from a merchant operation to an imperialist force. In 1757 Siraj ud-Daulah, the Nawab (or Prince) of Bengal marshaled a 50,000-man army with cannons and elephants in order to lay siege to the Company's fort in Calcutta, Fort William.<sup>15</sup> The site of subhuman treatment of the defeated Company prisoners became known as the Black Hole of Calcutta. The 146 captured British merchants and soldiers were reportedly crammed into an eighteen- by-fourteen square-foot space, roughly the size of five king mattresses pressed together, with sturdy iron bars in the

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<sup>13</sup> Landow, "The Victorian Web: The British East India Company — the Company that Owned a Nation (or Two)," accessed 20 March 2017

<sup>14</sup> The East India Company, "The East India Company," accessed 15 April 2017

<sup>15</sup> A.W. Ward, G.W. Prothero and Stanley Leathes, "The Cambridge Modern History," (New York: The Macmillan Company, 1909), 551.

humid, 88°F heat of Bengal.<sup>16</sup> Holwell wrote in a letter when landing in Ireland, “The same night 170 of us were crammed into a hole not large enough for 50 of us to breathe in,” 123 died on the first night.<sup>17</sup> The British people did not hear about this atrocity until Holwell, the governor of Calcutta and a prisoner of the Black Hole, returned to England a year later to give a description to Parliament. This account roused the British public and paved the way for ‘Clive of India’s’ military action that culminated in the Battle of Plassey, in June 1757. The Battle cemented the Company’s complete control of Bengal (today’s Bangladesh) by cementing the Company’s physical military control over the region, followed shortly by political control after Clive’s organized coup against the vastly weakened Nawab. The Company continued to expand their control of the region, amass profits and lay the sort of infrastructure that could ease Parliament’s takeover of India in 1857. Robert Clive’s heroic dispatchment of justice in the name of those lost in the Black Hole tragedy, coupled with the treasure in the form of exotic luxuries and tea he brought back to Britain, became part of British Lore.

The *BBC – In Depth History of the East India Company*, the bedrock standard history taught in British and American schools, continues the narrative by explaining that,

By the end of the century, British rule had been consolidated over the first conquests and it was being extended up the Ganges valley to Delhi and over most of the peninsula of southern India. By then the British had established a military dominance that would enable them in the next fifty years to subdue all the remaining Indian states of any consequence,

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<sup>16</sup> Read's Weekly Journal Or British Gazetteer, "London: An Extract from a letter received by the India Ships arrived in Ireland, containing a particular account of the unfortunate affair at Bengal," *Read's Weekly Journal Or British Gazetteer* 11 June 1757.

<sup>17</sup> Read's Weekly Journal Or British Gazetteer, "London," 11 June 1757.

either conquering them or forcing their rulers to become subordinate allies... Through many vicissitudes, the Company had evolved into a commercial concern only matched in size by its Dutch rival. Some 3000 shareholders subscribed to a stock of £3,200,000... Twenty-four directors, elected annually by the shareholders ran the Company's operations from its headquarters in the City of London. [Through the Company's aegis, once small Indian] settlements had evolved from 'factories' or trading posts into major commercial towns under British jurisdiction, as Indian merchants and artisans moved in to do business with the Company and with the British inhabitants who lived there.<sup>18</sup>

The common historical narrative states that the East India Company was a wealthy, British organization, firmly beholden to shareholder-elected directors, in constant competition with national rivals, that successfully defeated said rivals and local populaces, and whose rule both bettered India and prepared it for eventual Parliament acquisition. This account reveals the widely-accepted attitude of reverence toward the Company. The rendition of the East India Company's history reads like the chronicling of a great conqueror, such as an Alexander the Great or Julius Caesar. It revels in its size and commercial power and suggests that the Company competed against similar organizations from rival nations. The history then mentions that the Company was controlled from London by a duly elected council, suggesting a commonality with Parliament and an air of good governance. Finally, the history states that the East India Company developed the Indian economy and culture through the creation of cities, trade, and intermixing between British culture and Indian artisans. This account depicts a respectable, powerful institution that brought economic structure and culture to India.

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<sup>18</sup> BBC, "East India Company," BBC- In Depth History, accessed 15 April 2017.

# Propaganda, Corruption, and Lobbying

## Justification for Conquest

“Of course the people don’t want war. But after all, it’s the leaders of the country who determine the policy, and it’s always a simple matter to drag the people along whether it’s a democracy, a fascist dictatorship, or a parliament, or a communist dictatorship. Voice or no voice, the people can always be brought to the bidding of the leaders. That is easy. All you have to do is tell them they are being attacked, and denounce the pacifists for lack of patriotism, and exposing the country to greater danger”.<sup>19</sup>

— Nazi General Herman Goering at the Nuremberg trials

The British populace in the 1700s had as little or less desire to pay more taxes, send loved ones to die, and wrestle with the moral dilemma of killing and dominating another civilization as the German people before World War II. Holwell, Clive, and the other actors of the East India Company needed to justify the conflict and bring the British Public to their “bidding”. Holwell, Clive, and their compatriots utilized similar social, economic, and emotional tools that populists and war hawks have used, throughout history—the same tools being used today.

First, the group lays groundwork preparing the society. This step takes multiple forms. Some of the most common include: making support for war a patriotic duty by claiming that it is to defend or gain honor for the country; making the target of the group’s aggression a lesser “other” or a protector of an already publicly hated group; and leading the public to believe that the aggression provides the country or empire with more

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<sup>19</sup> Herman Goering, “Herman Goering’s response to being questioned at the Nuremberg trials about the German people directly before World War II,” 26 July 1946.

security, and that the aggression furthers the country's patriotic goal. Groups historically tend to utilize a combination of these social pushes. Usually, the social push has a slogan as its centerpiece. For example, the slogan "White Man's Burden" stated that non-Europeans are an uncivilized 'other' that would benefit from becoming subjugated to European rule. The "White Man's Burden" was first used in a poem written by a British author to the American public urging them to take up the burden of Empire. The slogan came to represent centuries of sayings and slogans the British chanted in a call for Empire. The saying implies that it is not only Europeans' right to conquer the myriad "lesser" civilizations around the globe, but it is their responsibility. This idea of lesser 'others' hopes to make any violence committed by Europeans morally acceptable and provides the argument that any hardship done to those conquered is outweighed by the benefits of elevating the entire civilization to the ideal European model. In the *Covert Cage of Power*, Janet Hill writes that Manifest Destiny and the White Man's Burden were "developed to justify and legitimize control" over non-western civilizations.<sup>20</sup>

Next, groups often make a logical argument for why the aggression will benefit the citizens of the conquering nation. In modern times, this point is not talked about directly and is far more difficult to utilize than the social tools discussed previously. This argument tends to be economic. It states that the aggression will open up trade and access to natural resources. The argument attempts to convince the public that conquering the province would be an economic boon for the country and thus good for the average citizen. Robert Clive, the anointed "founder of the British Empire in India" and future

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<sup>20</sup> Janet Hill, "The Covert Cage of Power," (Los Angeles: University of California Riverside, 2004)

Director of the East India Company, wrote a public letter to Prime Minister William Pitt which utilized this tactic. The letter was written shortly after the Battle of Plassey arguing for the assumption of the Company's and Clive's direct rule over Bengal:

I flatter myself that I have made it pretty clear to you that there will be little or no difficulty in obtaining the absolute possession of these kingdoms; and this with the Moghul's own consent, on condition of paying him less than a fifth of the revenues thereof. Now I leave you to judge whether an income yearly of upwards of two millions sterling [10x to 33x the tax revenue collected by the Stamp Act on the American Colonies]<sup>21</sup>, with the possession of three provinces abounding in the most valuable productions of nature and of art, be an object deserving the public attention; and whether it be worth the nation's while to take the proper measures to secure such an acquisition; an acquisition which, under the management of so able and disinterested a Minister, would prove a source of immense wealth to the kingdom, and might in time be appropriated in part as a fund towards diminishing the heavy load of debt which we at present labour. Add to these advantages the influence we shall thereby acquire over the several European nations engaged in the commerce here, which these could no longer carry on but through our indulgence, and under such limitations as we should think fit to describe. ( Robert Clive to William Pitt the Elder (current Prime minister) written on January 7<sup>th</sup>, 1759) Source: John Malcolm, *The Life of Robert, Lord Clive* (London: John Murray, 1836), 2: 119-125.

In his letter to Pitt the Elder, Clive makes use of contemporary pressure points to convince the British public and Parliament to grant him status as the ruler of Bengal. He prefaces his argument by stating British conquest of Bengal is the will of the people.

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<sup>21</sup> Tax Analysis, "The Seven Years War to the American Revolution," *taxanalysis*, accessed 15 April 2017.

Clive's statement suggests that his rule would be unopposed, bloodless, and popular, while in reality Clive had just fought multiple battles against the Moghuls and overthrown the Nawab of Bengal in a bloody coup. Clive then starts his economic argument. Listing the fantastic deal offered by the Moghul Emperor and the instant reward of immense treasure for the British people. In a more eloquent phrase, Clive describes the three kingdoms as, "abounding in the most valuable productions of nature and of art". The phrase brings to mind beauty, riches, and abundance, not unlike the biblical 'land of milk and honey'. Clive concludes by suggesting a use for this easily acquirable and copious treasure. He indicates that the treasure could be used to relieve Britain of its debts, and he calls the debt a "heavy load" under which the public "labours", aggrandizing the importance of relieving the public from this burden. Clive's final argument revolves around the patriotic implications for giving Britain a clear victory over her rivals. The British were in heated competition against the Dutch and especially the French over the prestige surrounding imperial colonies and global trade. At the time Clive wrote this letter, this competition had boiled over into an international conflict, the Seven Years War, which was escalating in 1760. Clive's argument leaves the impression that Bengal is a vast treasure that can solve all of Britain's woes only if Parliament allows Clive to reach out his hand and take it. Clive's letter resembles the arguments and speeches of demagogues and populists throughout history. He promises an easy solution to economic woes and promises victory and national glory over a foreign foe. Clive's letter worked as intended. Modern histories of William Pitt the Elder state that his "generous praise in Parliament stimulated the genius" of Clive, who Pitt publicly

anointed as the “heaven-born general” who conquered India for Britain.<sup>22</sup> Two months after Clive sent his letter, he returned to British shores with an Irish peerage, a reception from George III, the promise of an English title, and strong public backing for any of his future exploits.<sup>23</sup>

A third method entails that groups utilize a tragedy or a perceived national disgrace to create an emotional reaction among the public. The parties that hope to benefit from the subjugation of a region or populace prey on their nation’s emotional response to these stimuli. For example, the sinking of the USS Maine allowed the United States to go to war with Spain, the fake Polish attack on the German radio tower in Gleiwitz was used as the pretext for the Nazi invasion of Poland, and 9/11’s emotional impact led to the invasion of Iraq. Holwell, Clive, and the East India Trading Company used this particular technique frequently to justify and secure support for their military action against the Moghul Empire.

Holwell’s account of his and his compatriots’ treatment at the hands of the Nawab of Bengal galvanized the nation to war. In Holwell’s description of his treatment in Bengal, Holwell remarked, “The annals of the world cannot produce an incident like it in any degree or proportion to all the dismal circumstances attending it”.<sup>24</sup> Holwell and others argued that if Britain did not respond to such brutality, it would only encourage further violence against its citizens, and thus both threaten Britain’s greater merchant

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<sup>22</sup> William Harrison and Christian Herald, "The World-wide Encyclopedia and Gazetteer, Volume 2," (New York: The Christian Herald, 1899), 1497

<sup>23</sup> Vincent Smith, "Another interlude in England: wealth, fame, and politics," *Columbia*, accessed 15 April 2017.

<sup>24</sup> John Zephaniah Holwell, "India Tracts," (London: T. Becket, 1757), 392.

trade and diminish the respectability of the Kingdom.<sup>25</sup> Holwell's plea centered around the common narrative that the humble British merchants of the East India Trading Company were victims of an unprovoked attack by barbarous, bloodthirsty natives. However, by this time, the militarized Company had already started to extend well beyond their supposedly humble merchant roots. A British sea captain recounted,

The injustice of the Moors consist in that, being by their courtesy permitted to live here as merchants-to protect and judge what natives were our servants, and to trade custom free- we under the presence protected all the Nabob's servants that claimed our protection, though they were neither our servants nor our merchants, and gave our dustucks or passes to numbers of natives to trade custom free, to the great prejudice of the Nabob's Revenue; nay, more, we levied large duties upon goods brought into our districts from the very people that permitted us to trade custom free.<sup>26</sup>

The Company broke their agreement with the Nawab and was stealing directly from his coffers. Before the Black Hole of Calcutta, the Company already showed signs of acting like imperial rulers over their toehold territory in Calcutta, but they could not expand any further under current circumstances.<sup>27</sup> The Company eagerly wanted to be in a position to increase their dominance on trade, exclude rivals, extract further revenues from populaces under their control, and broaden their base by expanding into other rich territories. The Captain's letter and the eventual violent response from the Nawab of Bengal indicate that the Servants were already pushing well past both their agreement

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<sup>25</sup> John Zephaniah Holwell, "Account of an Address to Proprietors of East India Stock," *St. James's Chronicle or the British Evening Post* 1764

<sup>26</sup> Captain Rennie, "Reflections on the Loss of Calcutta" (London: Indian office of Records, 1756).

<sup>27</sup> Dirks, "The Scandal of Empire," 3.

and their physical capabilities to enforce their will in India. As the Nawab of Bengal's crushing conquest of Fort William clearly demonstrated, the Company had enough forces to fend off competing nation's advances, but could not expand their toeholds into Indian-controlled territory. They needed military force to change the dynamics on the sub-continent.

Holwell paved the way for East India Company expansion with this incendiary account. This account was both widespread and lasting: "Every schoolchild in Britain, at least during the years of Britain's imperial glory, knew of the atrocity of the "Black Hole" of Calcutta".<sup>28</sup> Of the fourteen sources that depict the Black Hole of Calcutta, thirteen have been attributed to Holwell himself and the fourteenth was given sixteen years later.<sup>29</sup> Recent research, since Partha Chatterjee's 2012 work, suggests that the horrendous event that sent Britain to expand its reach in India either never happened or was grossly exaggerated.<sup>30</sup><sup>31</sup> Most of the deaths at Fort William are now attributed to combat deaths, far different than the brutal slaughter of prisoners which would likely not have risen Britain's ire in the same way that a brutal roundup and mass suffocation did.<sup>32</sup> Holwell gained significant sympathy and political power from his widely circulated recount of the Black Hole of Calcutta.<sup>33</sup> For example, the Public Advertiser wrote that "brave Capt. David Clayton [second in Command at Calcutta] defended the Place with

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<sup>28</sup> Nicholas Dirks, "The Scandal of Empire: India and the creation of imperial Britain," (Boston: Harvard University Press, 2006)1

<sup>29</sup> Dirks, "The Scandal of Empire,"4.

<sup>30</sup> Partha Chatterjee, "The Black Hole of Empire: History of a Global Practice of Power," (New York: Princeton University Press, 2012)1.

<sup>31</sup> Iris McFarlane, "The Black Hole: The Making of a Legend," (London: Allen and Unwin,1975)15

<sup>32</sup> McFarlane, "The Black Hole,"16

<sup>33</sup> Dirks, "The Scandal of Empire,"5.

the utmost Gallantry, and was one of the 60 Officers put into the Black hole, where they perished miserably".<sup>34</sup> In order to give his eventual report to Parliament more credence, Holwell devised the plan to write many letters and reports under aliases.<sup>35</sup> Read's Weekly Journal quotes a report given by one of Holwell's aliases who claims to be a survivor of the Black Hole, "During the parley from the walls, the back gate was betrayed by the Dutch guard, and we were obliged to surrender at discretion. The same night 170 of us were crammed into a hole not large enough for 50 of us to breathe in; the effect of it was, that only 16 were alive the next morning, Four of us were sent to the Nabob's Camp, and put onto irons, but what came of the other 12 that escaped Hell in miniature I have not been able to learn".<sup>36</sup> Read's Weekly Journal then listed the names of those killed during the Nawab's attack on the fort and Holwell's description of how each died and what family they left behind. Both of the descriptions emphasized that the British servants and soldiers of the East India Company fought bravely and gallantly. Holwell's addition that the fort fell due solely to the treason of a rival nation's soldier coincided with his statements heightening national competitiveness in the region and suggested that the Indians had made a secret alliance with the Dutch to harm Britain. Both newspapers also depict the larger trend, that the death of these prisoners was an atrocity, as "Hell" on Earth. Writing the letter as a status report made the information seem matter of fact and unquestionable. This left the newspapers to compete with each other over who can add the most emotional flair to the piece. Howell gained the ability to give his impassioned speech in Parliament as a verifiable fact instead of a story where he is the sole witness.

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<sup>34</sup> Public Advertiser, "Deal, June 5th," Public Advertiser 1 June 1757.

<sup>35</sup> Dirks, "The Scandal of Empire,"4.

<sup>36</sup> Read's Weekly Journal Or British Gazetteer, "London," 11 June 1757.

The atrocity did not just gain Holwell political power and allow Clive to become a hero for conquering and avenging a false offense, but it was used as propaganda by the Company for the next century to defend any aggressive move or story about mistreatment of native Indians.<sup>37</sup>

When giving an address to proprietors of East-India Stock in June 1757, Holwell claimed that the Nawab of Bengal had “entered into a secret Negotiation with the Dutch, to introduce an Armament in the Provinces, to counteract and destroy our Power and Influence”.<sup>38</sup> Holwell mentioned the Indians’ treachery and secret deal with a national rival. The threat of losing influence to a rival power has a powerful effect on society. People are naturally competitive and tend to get emotionally attached to a team or group that they can call their own, regardless of the competition. Almost no one watches professional gymnastics ordinarily, but during the Olympics, everyone deeply cares about the event and how well their country’s athletes perform, especially when competing against rival powers. Similarly, the British were much more willing to accept losses or invest much more into defending their claims against the Dutch than they would be if they simply lost their foothold. Holwell continues, “That [the Nawab of Bengal] mediated a separate, secret, Treaty with the Shaw Zadda, and offered to sacrifice us to the Prince, but was not [happily for us] believed, or heard. – That the whole Term of his Government was a uniform Chain of Cruelty, Tyranny, and Oppression”.<sup>39</sup> Holwell’s statements center around the Indians’ broken oaths and suggest that treachery is deeply seeded in the

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<sup>37</sup> Dirks, "The Scandal of Empire," 6.

<sup>38</sup> Holwell, "Account of an Address to Proprietors of East India Stock," 1764

<sup>39</sup> Holwell, "Account of an Address to Proprietors of East India Stock," 1764

Indian culture. The claim that Holwell was nearly sacrificed highlights the barbarism of the native Indians. In the same vein as the “White Man’s Burden”, Holwell’s statement serve to dehumanize the Indian populace and to invoke a sense of responsibility to bring “civilization” to India.

The directors of the East India Company deeply desired to increase their hold in India. They utilized social tools, demagogue tactics, and misinformation to convince the British people that the East India Trading Company was Britain’s champion in spreading British ideals and fighting against foreign rivals. The Company pushed the populace to believe that they offered endless returns without detractors or consequence, a clear force for good. The Company needed British support, and they actively created a narrative to manipulate the British populace into believing that the Company’s interests and those of the nation coincide. In addition, they suggested that military action was not only justified but so necessary that the public demanded Britain send troops to help the Company’s endeavors.

A recent example of similar social forces at work in America occurred during the promptings conducted after the 9/11 attacks to urge America to war in Iraq. The national outrage and desire for retaliation against the 9/11 attackers made the American populace and its allies emotionally compromised. The invalid claim of WMDs prompted fear for national security; constant news articles describing Saddam Hussein’s numerous atrocities including tortures and chemical attacks created the narrative that the United States would be a welcome liberation force; and the idea of bringing democracy, a proxy for Western ideals, furthered hopes of bettering lives in the Middle East and preventing further acts of

violence through creating commonalities. Although not as blatant as Clive's letter, the economic benefits of a stable source of oil were in the thoughts of many Americans who remembered the strife caused by OPEC's oil crisis. The war, pushed for by a few interested parties, has since cost the American taxpayer over \$2 trillion directly, before even factoring the far greater secondary effects.<sup>40</sup>

### **Plunder, Bribes, and Private Trade**

From the reign of Queen Victoria until the end of the Second World War, India claimed the title of the "Jewel in the Crown" of the British Empire. The "Empire where the Sun never set" would have likely given up all of its other territories to maintain the stream of wealth that it gained from its province in India. Until the time of the government takeover, one company, controlled by a few men, possessed all of India's riches. Irfan Habib estimates that towards the end of Company rule in India, the Company and its servants were draining India of roughly £ 2 million a year (£ 292 million in today's currency or 2700x the average yearly wage of a British household at the time)<sup>41</sup> through official and unofficial conduct.<sup>42</sup> Men who left for India without lands or high titles returned and bought themselves into the high nobility and lived a life of luxury previously reserved only for monarchs. British who reaped the wealth of India and returned to the British Isles assumed the derogatory title 'Nabobs', a play on the princely

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<sup>40</sup> Damir Sagolj, "Iraq war costs U.S. more than \$2 trillion: study," Reuters 14 March 2013.

<sup>41</sup> Stephan Morley, *Historical UK Inflation*, accessed April 2017

<sup>42</sup> Dirks, "The Scandal of Empire," 147.

Indian title. The Servants of the East India Trading Company acquired and held this wealth through a combination of illegal trade and myriad forms of corruption.

Corruption and corrupt practices riddled the East India Company from top to bottom. Among the most significant preferential practices was gift giving. Local leaders and others would grant agents of the Company gifts, much like a tribute, in return for avoiding harassment or worse. When questioned on the subject, Clive defended the income from gifts remarking, “From time immemorial it has been the custom of that Country, for an inferior never to come into the presence of a superior without a present. It begins with the Nabob and ends with the lowest man who has an inferior. The Nabob has told me, that the small presents he received amounted to £300,000 [£43,800,000 in today’s currency]<sup>43</sup> a year, and I can believe him because I know that I might have received as much during my last Government”.<sup>44</sup> If Clive’s statement is not a boast and assumed to be accurate, it not only enlightens the sheer quantity of wealth that the upper echelon of the Company received even in the early days of Company rule, but also the dynamics in Bengal. Clive first explains that a person’s status in India is directly related to the monetary amount they receive as gifts, thus implying that the gifts he received were roughly equal to the prince Bengal, equivalent to 150x the salary of the Lord of the Treasury and 4000x average British income.<sup>45</sup> Before sailing to India, Clive’s family was deeply in debt. Clive’s situation and personality were typical of those who sailed to India, many were nobles with connections, but no capital.

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<sup>43</sup> Morley, *Historical UK Inflation*, accessed April 2017

<sup>44</sup> Dirks, "The Scandal of Empire," 55.

<sup>45</sup> Clive Emsley, Tim Hitchcock and Robert Shoemaker, "London History - Currency, Coinage and the Cost of Living," Old Bailey Proceedings Online, accessed 28 March 2017.

The first gifts received by the British were spoils of war. After avenging the supposed “Black Hole of Calcutta” Clive organized an alliance with one of the Nawab of Bengal’s most trusted generals to join the Company’s forces in a coup against the Nawab. After its success, the newly appointed Nawab of Bengal gave Clive presents worth the equivalent of almost £30 million in today’s currency (150,000x Lord of Treasury’s salary)<sup>46</sup> as well as a massive land grant worth roughly £4 million (the equivalent average value of 53,333 hectares in southern England)<sup>47,48,49</sup>. The Bengalis’ ‘generosity’ did not stop with Clive. The House of Commons estimated that the Bengalis gifted the Company’s servants and officers £175.2 million the year of the coup. The new Nawab also granted Clive a high-ranking title in the Mughal empire. Clive’s troops were shortly thereafter ordered to vacate Bengal to fight the French, but Clive remained in Bengal.<sup>50</sup> Fighting the French, a centuries old rival of the British would undoubtedly grant Clive military honor and vastly more political sway if he were victorious. Clive still used his money for political endeavors, but his decision to stay in Bengal clearly displays his priorities. Clive’s refusal or disinterest in taking that command to better protect his economic interests exposes his end goal of building wealth rather than to secure political or military success.

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<sup>46</sup> Emsley, Hitchcock and Shoemaker, "London", accessed 28 March 2017.

<sup>47</sup> Royal Statistical Society, "'A Century of Land Values:' England and Wales," *Journal of the Royal Statistical Society*, 1891, 529.

<sup>48</sup> Michael Edward Turner, "Agricultural Rent in England, 1690-1914," (London: Cambridge University Press, 1997), 63.

<sup>49</sup> Dirks, "The Scandal of Empire," 43.

<sup>50</sup> Dirks, "The Scandal of Empire," 46.

“By the late 1760s, there was not an Englishman in Madras who was not seriously on the take, and each new take seemed to raise the stakes higher”.<sup>51</sup> Servants of the Company boasted about, and often exaggerated, the tributes they received and the private fortunes they amassed through trade, which in turn made the other servants jealous or competitive, leading them to demand higher tributes from those under them and further tax the land. Clive’s original corruption at the top coupled with young noblemen’s braggadocio created a snowball effect of corporate greed. Every servant, no matter how minor, demanded tributes and conducted private trade as a matter of elevating themselves in Clive’s horrendous social experiment. Clive was the first leader of this new chapter in the East India Trading Company’s history, thus his underlings in the Company took their cues from his actions. His public, excessive greed and corruption set a precedent for how business would be conducted in the newly conquered Bengal. This precedent ultimately raised the bar for average corruption and brought about the eventual destruction of Bengal’s economic structure. As seen later, through his personal greed, Clive created a culture of corruption that grew far beyond his control, infected England itself, and led to both his downfall and salvation.

*Trade Control:*

Perhaps unsurprisingly a large portion of the personal enrichment conducted by agents of the East India Trading Company revolved around the manipulation of trade. In his 1776 *An Enquiry into the Wealth of Nations*, Adam Smith argues against monopolies

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<sup>51</sup> Dirks, "The Scandal of Empire,"61.

and the Company's council of merchants by saying, "The servants naturally endeavor to establish the same monopoly in favor of their own private trade as of the public trade of the company".<sup>52</sup> Adam Smith argues vehemently against monopolies, describing them as having a "wretched spirit". He describes their negative effects of price gouging, corruption and the threat of no competition. Company agents took advantage of trade through private customs-free trade and monopoly manipulation. Company servants traded on their own behest both within Asia and to smugglers who brought Indian luxuries to Europe and America untaxed, diminishing the Company's supposed monopoly. The servants kept the profits for themselves both untaxed and away from the Company's balance sheets. These under-the-table dealings were potent for both the Company and India. The issue was amplified by the servants of the Company's clear competitive advantage of trading without paying any customs to the Mughal Empire. Directly after Clive's victory at the Battle of Plassey the newly appointed Nawab proclaimed, "Whatever goods the Company's gumasthahs may bring or carry to or from factories... You shall neither ask nor receive any sum, however, trifling for the same... Whoever act contrary to these orders, the English have power to punish them".<sup>53</sup> The decree granted company servants the privilege of free trade in most goods, a massive competitive advantage over their local competitors, legal right to harass their competition, and made it impossible for any other European nations to offer competition to the profit-seeking Company servants. The servants quickly dominated most markets. The ability to trade, without paying taxes or tariffs, gave each individual servant a pure monopoly in his

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<sup>52</sup> Adam Smith, "An Inquiry into the Nature and Causes of the Wealth of Nations," (London: W. Strahan and T. Cadell, 1776).

<sup>53</sup> Percival Spear, "Master of Bengal: Clive and His India," (London: Thames and Hudson, 1975),111.

region, and as they were conducting their monopolies under the table their prices and actions could not be scrutinized by the Company's investors nor were their profits taxed by the British. The advantage allowed the Company agents to push inland. In 1764 alone Company servants' private trade squeezed Bengal of roughly £98<sup>54</sup> million in today's currency that would otherwise be tax revenue for the Nawab.<sup>55</sup> The extent of the Company's monopoly manipulation became gruesomely clear when a monsoon failed to come in 1769 and 1770, creating drought and two failed rice crops.<sup>56</sup> By this time Bengal had been milked dry by the Company's servants increasingly grandiose requests for presents and the devastating effect of monopolistic private trade. The Bengalese economic structure weakened to the breaking point by the Company's servants, was utterly demolished by the somewhat normal occurrence of an off monsoon year. The dry years was most likely caused by, what western countries, call El Nino. El Nino affects the Pacific region every few years by bringing rains that usually fall in southern Asia to the west coast of California down to Northern Chile. It is estimated that one-third of Bengal's population died from starvation during those two years, by a largely routine environmental occurrence.<sup>57</sup> It quickly became clear that the famine was greatly augmented by monopolistic manipulation by the Company servants.<sup>58</sup> The servants saw the shortage of rice caused by the monsoon as another opportunity, and hoarded the available rice and marked up its prices to obscene rates, artificially worsening an already

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<sup>54</sup> Morley, *Historical UK Inflation*, accessed April 2017

<sup>55</sup> Dirks, "The Scandal of Empire," 51.

<sup>56</sup> Dirks, "The Scandal of Empire," 53.

<sup>57</sup> Rajat Kanta Ray, "Indian Society and British Supremacy," Peter J. Marshall, "Oxford History of the British Empire, vol.2: The Eighteenth Century" (Oxford:Oxford University Press, 1998)124.

<sup>58</sup> Dirks, "The Scandal of Empire," 54.

dire shortage. The Company's servants saw their profits decrease as the people who paid tribute had less to give and attempted to reach their normal profit levels for that year through manipulating the rice prices, effectively over taxing the market and contributing to the deaths of an estimated 10 million people in a one year period.<sup>5960</sup> The servants acted during the famine just as they had during their entire domination of Bengal, the horrific economic effects were made more obvious simply because this time Bengal had nothing more for them to take. Through a combination of forced bribery and economic management, the servants of the East India Trading Company had successfully brought the richest province in the Mughal Empire to a state of economic annihilation.

### **Protecting Corporate and Personal Gains from Parliament**

The economic travesties, corruption, and cost to the British people did not go unnoticed in Parliament. By the early 1760s, much of the Public were becoming uneasy with the ostentatious displays of wealth Servants portrayed when they returned from India.<sup>61</sup> Parliament was aware of the greed and destruction the Company was having both on the Indian continent and in the British Isles well before they took any serious action. However, even before Clive furthered the Company's imperialist nature, the East India Trading Company had amassed significant clout in Parliament. Before the first decade of

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<sup>59</sup> Richard Melson, Cambridge Forecast, accessed 15 April 2017.

<sup>60</sup> Romesh Dutt, "The Economic History of India," (London: Routledge, 1900), 35.

<sup>61</sup> Tillman w. Nechtman, "Nabobs: Empire and Identity in Eighteenth-Century Britain," (New York: Cambridge University Press, 2010),60.

the Eighteenth Century eclipsed, the Company was the chief financier for the state's public debt.<sup>62</sup> In 1709, almost half of a century before the Battle of Plassey, the Company lent nearly £700<sup>63</sup> million in today's currency to the British government securing both immense political favor and the monopoly in the East that Clive and his contemporaries would later so devastatingly abuse. This influence grew continuously and steadily with the Company's stock.<sup>64</sup> Edward Stephenson was the first of a soon to be a powerful cohort of Company servants that used their fortunes made in the East for political power, in 1715. He purchased the estate of Lord Dawley and Lord Bolingbroke and became a member of the House of Commons. Clive's victory at Plassey unlocked both wealth and political influence. As the Company gained influence over their Indian territory they also gained clout over their political system back home.

Clive was a prominent and well-publicized figure and whose name became synonymous with the British interest in India. Beyond his being renowned for his military achievement, the gifts and wealth Clive received in India were infamous. Clive's land grant, although only 13% of the total wealth he received in gifts in 1757, became a symbol of the greater corruption taking place in India and a bugle call for reformers. When Bengal crumbled and the company's stock crashed due to clear mishandling and corruption, Clive was an obvious lightning rod for public outrage with the East India Trading Company. However, by the time of Clive was brought to account, after his botched directorship over Bengal during the monsoon years, the Company's political

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<sup>62</sup> Dirks, "The Scandal of Empire,"38.

<sup>63</sup> Morley, *Historical UK Inflation*, accessed April 2017

<sup>64</sup> Dirks, "The Scandal of Empire,"39.

presence had grown powerful enough to protect even Clive from rebuke. Clive was brought before Parliament under the charges of gross corruption. The horrific events in Bengal understandably brought forward proposals to drastically reform the Company and its holdings in India. Lord North, the Prime Minister from 1770 to 1783, proposed the Regulation Act of 1773 during the height of his political power.<sup>65</sup> History views Lord North as a royal sycophant, a leader skilled in handling the treasury, and the incompetent that lost the American colonies. John Burgoyne, firmly in Lord North's political camp and was previously an officer in the Seven Years war in the Portugal Campaign, proposed three resolutions in 1773: first, "that territorial acquisitions made by subjects belong to the Crown"; second, "that it was illegal for private persons to appropriate the revenues of such possessions"; third, "that there had been the appropriation of such revenues".<sup>66</sup> This law in effect was a simple anti-corruption bill that proposed to at least stop the flow of corruption [second proposal], bring those who were corrupt to trial to face justice [third proposal], and put the affairs of the Company and any others that ruled or waged war in Britain's name more directly under the guise and control of the government [first proposal]. After a long debate between those under the sway of the Company and those who wanted to see its power diminished, Parliament rejected all the resolutions and passed another that read, "Robert, Lord Clive did, at the same time, render great and meritorious services to his country".<sup>67</sup> Clive was allowed to keep his

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<sup>65</sup> History of Parliament, "NORTH, Frederick, Lord North (1732-92).", The History of Parliament, accessed 16 April 2017.

<sup>66</sup> Dirks, "The Scandal of Empire,"58.

<sup>67</sup> Dirks, "The Scandal of Empire,"58.

wealth, including his notorious land grant that symbolized the East India Trading Company's apparent corruption.

In 1787, almost a decade and a half after Robert Clive's trial, Parliament reconvened to readdress the issues befalling India through the Impeachment hearing of Warren Hastings, the first Governor General of India. The transparency and extent of the East India Company's corruption and the horrendous effects of their rule convinced even the most arduous defenders of the Company during the Lord North trial to be convinced of the crimes perpetuated by the Company. For example, Edmund Burke, an influential British statesman born in Dublin and member of Parliament for 30 years, argued vehemently against any government regulation whatsoever of the East India Company in Clive's hearing, even calling the Company, "one [of the] most beautiful [systems] ever seen established in any place".<sup>68</sup> During the impeachment hearing of Warren Hastings, Burke held the position that the Company "should be deprived of all responsibility for the government of India" and led the impeachment effort against Hastings.<sup>69</sup> Warren Hastings was the first Governor General of India, a new executive position created by Pitt the Younger's 1784 regulation act which allowed Parliament to oversee Company actions.<sup>70</sup> The only check to Hastings's command was the Calcutta council, in which Hastings had placed enough of his supporters to avoid being vetoed. Hastings engaged in a number of wars on the sub-continent deemed both ruinous and unnecessary by the recently elected Prime Minister and immediate successor of Lord North, William Pitt the

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<sup>68</sup> P.J. Marshall, "The Impeachment of Warren Hastings," (London: Oxford University Press, 1965), 1.

<sup>69</sup> Marshall, "The Impeachment of Warren Hastings," 1.

<sup>70</sup> Manas, "Warren Hastings," *Manas*, accessed 15 April 2017.

Younger.<sup>71</sup> The trial started with overwhelming public support for Burke, every newspaper assumed Hastings would promptly be found guilty and the Company would be seriously reformed. However, the trial dragged on from 1788 to 1795. The public rapidly lost interest in the case, especially as the French Revolution began across the Channel in 1789.<sup>72</sup> Only two years after talk of impeachment began and a year after the trial's opening statements, popular support decisively switched from Burke to the Company. Exemplifying the switch of opinion, James Gillray, one of the most famous political cartoonist of the age, drew a cartoon in favor of Hastings and the Company titled *The Political Bandits Assailing the Saviour of India*. In the cartoon Hastings rides a camel, that more closely resembles a majestic war horse. Hastings is dressed in flowing Indian garbs.<sup>73</sup> Hastings and his steed look down in contempt at Burke, caricatured, who is firing a musket, point-blank with bullets labeled "Charges", at Hastings's golden "Shield of Honor". Behind Hastings, a caricatured Lord North stabs Hastings in the back while his comrade, possibly Pitt or Burgoyne, steals a bag labeled Indian tax revenue. Hastings holds a rolled parchment titled "Territory Acquired by Hastings". The trial had the original effect of raising questions regarding the East India Company, but as the cartoon indicates, the Public quickly fell back under Company propaganda, and believed that the Company's servants were honorable conquerors that brought revenue back to the greedy, jealous Parliament. Although the trial and Pitt's reform acts did give Parliament the excuse and ability to oversee Company affairs far more closely than before, the Company

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<sup>71</sup> Marshall, "The Impeachment of Warren Hastings," 5.

<sup>72</sup> Marshall, "The Impeachment of Warren Hastings," 183.

<sup>73</sup> James Gillray, "The political-banditti assailing the saviour of India," (London: British Museum, 1786).

continued to rule India and hoard private fortunes until direct Parliament take over almost a century later in 1858.<sup>74 75</sup>

To the modern reader, the ultimately small price Clive paid for breeding a culture of corruption and bringing India to complete economic collapse may, unfortunately, feel familiar. Leading up to the financial crisis in 2008, almost all major financial institutions greedily and negligently overextended, fraudulently misrepresented bond safety, and created the worst global financial crisis since the Great Depression. Except for a few scapegoats, no banker or corporate executives that engineered the Great Recession received any jail time, and the firms that committed corporate malpractice were fined insignificantly or bailed out with taxpayer money.<sup>76</sup> Harvard Law Professor Larry Lessig exclaimed, “we live in a world where the architects of the financial crisis regularly dine at the White House”. America’s recent judicial reaction to major corporate graft and subsequent financial crisis bears a striking resemblance to the Lord North’s treatment of Robert Clive. The British from 18<sup>th</sup> and early 19<sup>th</sup> centuries teach modern Americans the importance to stay vigilant and to stop corruption early. Lessons learned from the issues caused by the East India Company hopefully compels Americans to not allow corporate malpractice fester for a century.

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<sup>74</sup> BBC, "East India Company," *BBC- In Depth History*, accessed 15 April 2017.

<sup>75</sup> Dirks, "The Scandal of Empire," 100-104.

<sup>76</sup> Glenn Greenwald, "The Real Story Of How 'Untouchable' Wall Street Execs Avoided Prosecution," *The Guardian* 11 January 2013.

## Effects on Britain<sup>77</sup>

### The Military Cost of the Empire

The Seven Years War was fought across the Northern hemisphere and in the high seas. Its costs, in part, led to the fall of the French monarchy. Clive utilized the outbreak of the Seven Years War to seize control of Bengal for the East India Trading Company, the war itself was completely motivated by imperial tension. Britain's success in the conflict carved out a massive empire. However, 20,000 British soldiers lost their lives, the British national debt skyrocketed to 175% of GDP, and indirectly sparked the American Revolution through the push for colonial tax revenue to pay off the cost of the conflict.<sup>78,79</sup> The common British taxpayer had to foot the bill for Britain's imperial glory. A 1764 British newspaper details the heavy burden the populace must undertake:

Of the unfortunate Debt contracted during the last War, the Government will this Year pay off 2,771,367 l. 13s. 6d. [£510 million in today's currency]

	l.	s.
German Extras	500,000	0
Navy Debt	650,000	0
Army Extraordinaries	987,434	15
Deficiencies of Land and Malt [Tax]	300,000	0
Dedommagemnr to the Landgrave of Hesse	90,000	0

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<sup>77</sup> Richard Newman, "East India Company's Effect on Britain," (Los Angeles: Claremont McKenna College, 2017)1-20.

<sup>78</sup> Matthew White, "Statistics of Wars, Oppressions and Atrocities of the Eighteenth Century," Necrometrics, accessed 27 March 2017.

<sup>79</sup> Jari Eloranta, "Hollow Victory: Britain's National Debt and the Seven Years War," Research Gate 2015, 1-24,6.

Deficiencies of Funds to be placed to the Sinking Fund	147,5593	18
Defcincies of Grants for the Year 1763	129,489	0
Advanced in Consequence of Addresses	7,350	0

The Peace Establishment for the Navy, which is the most constitutional Force, and the best Security for Great Britain, is much enlarged, amounting to 1,443,568 l. 11 s. 9 d. [£266 million] the same Number of Seamen being retained in the Service as voted last Year, and 100,000 more than usual being employed in Ship building, in order to keep our Navy on a Footing to be respected by all Europe.

So that the whole State of the Supply is this:

	l.	s.	In Millions of £s
Debt Paid	2,771,867	13	[510]
Exchequer Bills	1,800,000	0	[331]
Establishment for the Navy	1,443,568	11	[266]
Ditto Army	1,509,313	14	[278]
Miscellaneous Articles	259,353	0	[ 47]
Sum	7,820,102	19	[1,432] <sup>80</sup>

To put this sum into perspective a comfortable living wage in this period amounted to £57 to £78 per year, and a skilled engineer may make an annual salary of £110 a year.<sup>81</sup>

<sup>80</sup> Printer of St. James's Chronicle or the British Evening Post, "The State of Supplies," *St. James's Chronicle or the British Evening Post* 17 March 1764.

In the mid-18<sup>th</sup> century, London had a population of roughly 750,000.<sup>82</sup> Meaning that if every man woman and child in 1760s London was a skilled engineer they each would have to pay 10% of their yearly earnings to pay off the debt from the Seven Years War. This article also does not display the loss of productivity by sending skilled men off to war and the social cost of demobilizing 200,000 veterans, including some injured. As this news article displays the seven years of imperial conquest cost a significant sum, and that Britain, which historically significantly decreased its military in peace time, had to expand its fleet and army to defend its newly gained territory, the pain of the victorious. Trade routes and monopolies had to be defended in an ‘extremely aggressive world’.<sup>83</sup> In wartime, this ‘aggressive world’ includes a host of privateers, local populaces, and rival imperial powers.<sup>84</sup> In peacetime in addition to privateers, local populaces, and false flag operations, the Royal Navy worked to protect merchants’ monopolies by blockading their own territories from other merchantmen. In theory this massive expenditure of treasure, military resources, and administrative capital was prudent. In theory the merchant class and monopolies would lend to the government (or in the case of the East India Trading Company both lent to the government and sold it significant shares of its stock) and provide tax revenue for the government who would in turn use the capital and revenues to build a force that could protect their revenue streams. This upward spiral would theoretically give the merchants and lenders a profit and provide the government with extra revenue. Unfortunately, as this thesis indicates at length, the East India Trading

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<sup>81</sup> Emsley, Hitchcock and Shoemaker, "London", accessed 28 March 2017.

<sup>82</sup> Old Bailey, "A population History of London," Old Bailey Online, accessed 16 April 2017.

<sup>83</sup> Linda Colley, "Britons: Forging the Nation 1707–1837," (New York: Yale University Press, 2005), 70.

<sup>84</sup> Colley, "Britons," 71.

Company and other lesser merchant organizations were thoroughly corrupt. Portraying the brashness of British merchant zeal, merchants were so taken with the spoils they gained from this system and its booty and their gains from the War of Spanish Succession that they actively pushed for another war with Spain in the 1730s.<sup>85</sup> The government was receiving revenues, but it was only a fraction of what it was due. Large sums of money went to private trade and corrupt practices. These practices did not perturb much of Parliament as many of them were receiving large portions of the black-money, and revenues, no matter how comparatively meager, were still coming in. The corruption that was spawned in Calcutta and infected the merchant trade and public sphere ultimately affected the carpenter making 3 shillings 6 pence a day.<sup>86</sup> The beleaguered revenues that made it back to royal coffers did not come close to matching the public's intrinsic cost and the opportunity cost of the military and administrative machine created to drive mercantile success.

### **Social Disruption**

British society in the 18<sup>th</sup> century experienced radical change. The century began with Britain unifying their own home island when the Scottish Parliament and British Parliament uniting to form Great Britain.<sup>87</sup> By the end of the century, Britain had the largest empire in history, ruled or had significant influence over roughly a fifth of the world's population, and had incorporated diverse and distinct cultures.<sup>88</sup> British society was still wrestling with the societal implications of incorporating people who sometimes

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<sup>85</sup> Colley, "Britons," 70.

<sup>86</sup> Emsley, Hitchcock and Shoemaker, "London", accessed 28 March 2017.

<sup>87</sup> Historic UK, "Act of Union," *Historic UK*, accessed 15 April 2017.

<sup>88</sup> Popustat, "World Historical Population Statistics," *Popustat*, accessed 15 April 2017.

but not always spoke their same language and lived on their same island when Nabobs began returning from India. In the 18<sup>th</sup> century, Britain broke into the global world, and contact with the myriad diversity global cultures forced British society to ask ‘what it was to be British’.

Before the middle of the 18<sup>th</sup> century, Britons described themselves as “a free people whose cities were marked by prosperity and commerce. It was an empire of coastal shores bound together by British trade and by British mastery over the ocean’s waves. The news from America, Caribbean, and India suggested another empire entirely – an empire of oppression, abrogated liberties, fettered servitude, and conquest”.<sup>89</sup> Before Clive’s conquest of Bengal, the British Empire was made of colonists and merchants. The American colonies were British citizens that took the opportunity provided by Britain to cultivate new lands. The lands were technically conquered from the Native American’s, but the British collectively viewed them as savages that were to be beaten off, not ruled over. In the British Merchant Map of Commerce from 1671, the Native Americans are pictured in only loincloths and animal skins, brandishing weapons. This indicated that the British viewed the Native American’s as militant savages, a people to push back and erect defenses against as opposed to a people to rule over or learn from. Conversely the Chinese are depicted in beautiful sophisticated robes, holding exotic trinkets or reading a book. This far different depiction signifies that the British viewed the Chinese as exotic, interesting, learned and worthy trading partners. This view is historically reflected by the consistent Western drive to open trade with China and its centuries’ old fascination with

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<sup>89</sup> Nechtman, "Nabobs," 1

the tales of Marco Polo. The Indians in the Merchant Map of Commerce are depicted in dress similar to that of the Native Americans, perhaps slightly less revealing and more complex, but are holding bowls brimming with spice and brandish jewelry instead of spears.<sup>90</sup> Their resource centric depiction reveals that the British view of the Indians as wealthy savages that presented an easy opportunity to collect enormous wealth from a population that could be tricked and conquered, underserving of their vast wealth.

The other territories under British rule were mercantile in nature, as the East India Trading Company was intended to be. The first mercantile British Empire boasted spice and luxuries trading posts in India, colonies across the Eastern North American seaboard, a furs trading post in Canada, sugar and slave trading posts in the Caribbean, and further slave trading posts in Africa.<sup>91</sup> After Clive's conquest, a British agency was undeniably ruling over a conquered people with their own history and culture, and reports of starvation and brutalities committed by the East India Trading Company began percolating into British society. These stories and events did not match with British society's image of itself. These two contradicting images of Britain led the British to form two distinct intellectual identities, the British Empire and the British Nation.<sup>92</sup> The domestic British tied themselves and their identity to the notion of the British Nation and actively rejected the British Empire and its promise of change from tradition.<sup>93</sup>

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<sup>90</sup> Lewes Roberts, "Merchant Map of Commerce," (London: Printed for R. Hon, 1671)n.p.

<sup>91</sup> David Cody, "The British Empire," The Victorian Web, accessed 15 April 2017.

<sup>92</sup> Nechtman, "Nabobs,"9

<sup>93</sup> Nechtman, "Nabobs,"8

Ivan Hannaford argues in *Race: The History of an Idea in the West* that diversity was seen as “a source of everlasting corruption impeding the progress of man”.<sup>94</sup> Classic British society had a visceral reaction to a foreign body. The retired East India Trading Company employees were used as a focal point for society’s fear of the intellectual notion of embodying the British Empire. The people from the East India Trading Company who returned to Britain were harbingers of the British Imperial identity. They brought the Empire back with them into the National sphere, breaking the sacred illusion of a firm barrier between the two. Society named these representatives of Empire ‘Nabobs’, a term that was taken from the Indian princely title, but quickly took on its own derogatory meaning of the excessively and flashily wealthy former Company servants that returned from India and lived like the princes they robbed. By naming the returned agents after a formal Indian Title, British society clearly marked them as ‘other’ and grouped them with the Empire instead of the nation. British society viewed the Nabobs as fallen Briton who was seduced by South Asia.<sup>95</sup> The Nabobs terrified British society as they were living proof that people could willingly reject British tradition in favor of the culture and customs of the East.

British society’s fear of the corrupting, and perhaps contagious, nature of the sub-continent is epitomized by *The Lounger*’s, a Scottish newspaper, an editorial featuring the neighboring Homespun household and the Nabob Mushroom household. The author named the Nabob family after a fast-growing fungus that grows primarily due to the decomposition of another organism, referring to how the Company’s servants gained

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<sup>94</sup> Nechtman, "Nabobs,"65

<sup>95</sup> Nechtman, "Nabobs,"65

their fast fortune by picking clean the dying Mughal Empire. On the other hand, the name 'Homespun' connotes a self-made family of strong domestic values. The essay begins by noting the patriarch of the Mushroom family had been sent out to India and ten years later returned with a fortune worth 110x the average yearly salary in Britain.<sup>96</sup> Mr. Mushroom also sent back "a trunk full of fineries to dress up his mother and sister" along with remittances. Mr. Homespun wrote that before the Mushrooms settled, he had counted value in "hundreds and thousands of pounds", but after the Mushrooms arrived the entire town began talking about their imperial future in terms of "hundreds of thousands of rupees". Both the amounts and the difference of currency are significant. The essay does not offer an easy financial comparison by putting the money that is brought into Britain from the Empire into British currency but leaves it in the Indian denomination. This distinguishes the wealth as 'other' and gives the impression that the money is somehow fraudulent and was not hard won in a good, traditional fashion. The statement also conveys that the economic dreams of his countrymen have been inflated and corrupted into greedy ambition. Mr. Homespun continues by saying that Mrs. Homespun and his daughters were enchanted by the Mushroom family's fineries from Bengal; "home-made gowns, of which they were lately so proud, have been thrown by with contempt since seeing Mrs. Mushroom's muslins from Bengal; our barn-door fowls we used to say were so fat and well-tasted, we now make awkward attempts, by garlic and pepper to turn into the form of Curries and Peelaws". Mr. Homespun concludes that he must take his family and move from their ancestral home to "find out some new place of residence where Nabobs, Rajahs, and Lacks [misspelling of a 100,000 domination] of Rupees, were never

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<sup>96</sup> Emsley, Hitchcock and Shoemaker, "London", accessed 28 March 2017.

heard of, and where people know no more of Bengal than of the Man in the Moon”. This popular character so desperately wanted to return to traditional Britain and to reject the changes of Empire he planned on moving his family from their ancestral home to continue living with his traditional view of the British Nation, unmarred by the Imperial identity.

When a society comes out of isolation and becomes invested in the global world, there tend to be social contusions and backlash against the changing society. These contusions are clear in our current time. As the world becomes increasingly globalized there are reactions, sometimes violent reactions, against representatives of that change. For example, rioters’ have attacked McDonalds and there is a growing anti-immigrant and anti-trade political sentiment in the United States. The rapid and persistent push of globalization challenge cultures and societies around the world, and breeds the same fear and discomfort that Mr. Homespun felt while in contact with the Mushroom household. While access to new ideas and customs has tremendous benefits, the current corporate push for global uniformity through brands and economic dominance threatens to eradicate centuries-old regional cultures and traditions that simply cannot compete with the price and flare of global, industrial products.

### **Political Corruption**

Clive planted the seed of systemic corruption in India. Through his successful example of pride, greed, and excess. Clive unintentionally nurtured a casual culture of

corrupt practices that germinated and spread well past his initial example. The servants of the East India Trading Company proved their lack of restraint in the Monsoon Year's rice scandal, and they were in constant competition with each other of how much wealth they could reap from the Empire through gifts, grants, side salaries, and black market trade. However, most English servants amassing fortunes in the Empire had no intention of staying in India. A minister of the Rockingham faction in Parliament described the pattern of the British Nabobs:

The history of the India Company's servants was . . . for some years past, invariably the same: They went out to India; acquired great fortunes; returned home; aspired to seats in Parliament . . . They contrived to get themselves decorated with titles and distinctive appellations. Whatever was the object they had in view, they never failed to shew their attachment to Ministers, by enlisting under their banners.<sup>97</sup>

Despite the British public's desire to separate the Nation from the Empire, the Empire was coming home. A breed of British elites raised in a culture of extreme graft and corruption with the means and desire to acquire political fame and glory were flooding into the system from Clive's Empire.

The successful servants of the East India Trading Company returned to Britain with massive fortunes. In 1760, the *Annual Register* named Clive "with all propriety be said to be the richest subject in the three kingdoms".<sup>98</sup> Clive was simply a forerunner. A steady stream of newly fabulously wealthy men returned to Britain, and as time progressed so did the scale of their corruption abroad. For example, by 1763 George

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<sup>97</sup> Dirks, "The Scandal of Empire," 75.

<sup>98</sup> Annual Register, "Chronicle," *Annual Register*, 1760, 65-202.

Pigot left his position as governor with a fortune of at least 150x<sup>99</sup> the annual salary of the Lord of the Treasury.<sup>100</sup> What was more disturbing than the sheer wealth Pigot brought into the British political system was his regular salary paid to politically represent the Nawab of Madras in Britain.<sup>101</sup> This blatant example of foreign influence on the governance of the British nation was punctuated by the story of Pigot's son presenting the King a diamond worth almost £10 million in today's currency in the name of the Nawab of Madras. The Nabobs returned home with their fortunes and bought the lands of the high nobility and usurped their position and power in the House of Lords, others married into the older gentry, or simply used their wealth to influence those already elected or to find a seat in the House of Commons. In the preamble to his speech on Mr. Fox's East India Bill (to regulate the Company after the monsoon years), Mr. Burke's bemoans that Parliament "had not the right to make a market of our duties".<sup>102</sup>

The corruption that had latched itself on the British sterling and Ruppees in the returning Nabob's purses spread corruption into the British public sphere and had a distinct effect. William Pitt elegantly described the return of the Nabobs:

The riches of Asia have been poured in upon us, and have brought with them not only Asiatic Luxury but, I fear, Asiatic principles of government. Without connections, without any natural interest in the soil, the importers of foreign gold have forced their way into Parliament by such a torrent of private corruption as no hereditary fortune could resist.<sup>103</sup>

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<sup>99</sup> Emsley, Hitchcock and Shoemaker, "London", accessed 28 March 2017.

<sup>100</sup> Dirks, "The Scandal of Empire,"61.

<sup>101</sup> Dirks, "The Scandal of Empire,"62.

<sup>102</sup> Edmund Burke, "Speech on Mr. Fox's East India Bill," London, 1 December 1783, 9.

<sup>103</sup> William Pitt, "Correspondence of William Pitt, Lord of Chatham," London: A. Spottiswoode, 1770.

William Pitt describes the Nabobs as a current of change from the agricultural society that grew out of the Magna Carta and Glorious Revolution to a society influenced by foreign gold and Clive's failed Indian governance. In Edward Said's *Orientalism*, he states that the "Orient [Middle East and Asia] was almost a European invention".<sup>104</sup> He describes how Europeans would jealously read adventure stories and articles of Europeans who dared sail East, and how they would imagine "a place of romance, exotic beings, haunting memories and landscapes, remarkable experiences". Europeans had an almost mythical view of Asia and were both fascinated and terrified of it. They found Eastern cultures interesting but believed that Western culture was clearly superior. As such, they harbored strong prejudices against the exotic customs infesting their own culture. Pitt's remarks that Asiatic Luxury and Principals were seeping into British society were not viewed as welcome diversity but as a terrifying threat to social order. The first clear sign of the Nabob's sway over national politics was after the disastrous Monsoon Years that both revealed the extent of Company corruption and left a third of Bengal's population dead from starvation. The Company that had sucked the Mogul Empire's richest province dry was on the verge of bankruptcy, due to the extent of individual corruption. Directly following the Monsoon Years in 1772 the Company's stock lost a quarter of its value and triggered a world credit crisis. In 1773, the Company had proved itself to be corrupt, out of control, and dangerous. It was clearly in need of major restructuring and governmental oversight. However, due to the political power of the already enriched Nabobs, Lord North's Regulation Bill not only just made cosmetic changes to the Company's leadership but also managed to actually honor Clive and most

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<sup>104</sup> Edward Said, "Orientalism," (New York: Pantheon Books, 1978), 9.

significantly lent the Company £265 million in today's currency to bail out the East India Company.<sup>105</sup> Clive walked into Parliament with a noose around both his and the Company's necks, but even in their worst political position, crashed Company stock, proof of corruption, and reports of 100 million dead Indians, the Company's interests managed to secure a bailout from the taxpayers and Parliamentary honors for the man who created their culture of greed. "The failure to reform the corruption in Madras was made especially conspicuous when Rumbold returned to London in 1780, after a mere two years as governor, with a fortune of about £142 million in today's currency [13,000x the average British income], of which at least £34 million had been procured as bribes from the Nawab. Like other governors before him, he returned with a commission to act as the Nawab's agent. He was soon elected to Parliament and apparently received a polite reception from Lord North".<sup>106</sup>

Countless journals, articles, and theorists describe corruption as a disease. The legal organization Lawkam defines public corruption as, "a disease like cancer", which, if not found promptly, will rapidly multiply and spread.<sup>107</sup> Corruption degrades a state's ability to govern. If publicized corruption erodes public trust and the legitimacy of the government, and it is hardy. An entrenched culture of corruption may take generations to uproot. The East India Trading Company nourished the seeds of corruption from the top of British society that subsequently grew down into the roots of government.

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<sup>105</sup> Dirks, "The Scandal of Empire,"15.

<sup>106</sup> Dirks, "The Scandal of Empire,"75.

<sup>107</sup> lawkam, lawkam, accessed 15 April 2017

The East India Trading Company led British corruption to a breaking point prompting John Wade's 1820 release of *The Black Book, Corruption Unmasked!!*, a detailed account of the grossly excessive corruption taking place in the British public sphere. The book ignited enough support to push much overdue, effective reform acts through Parliament. Undoubtedly there was corruption in the British system before the Nabobs returned from India, but the rate and scale of corruption dramatically increased along with East India Company's private riches. The London Bridge House, the agency in charge of construction and maintenance of London's bridges, exemplifies the greater trend of pervasive corruption in Britain. Over the course of 50 years, the cost of lumber in Britain decreased by a third, over that same period the cost of lumber the London Bridge House debited increased by 360%.<sup>108</sup> The Bridge House would inflate the cost of each shipment of wood they used by 450%, charge the British taxpayer, and keep the extra for themselves. On February 23<sup>rd</sup>, 1764 the St. James Chronical wrote, "We hear it has appeared to the satisfaction of a reputable assembly, that the City of London has already expended upwards of £20,000 [3,680,000] more than either was provided for by Parliament or was apprehended would be wanted, and that this great additional expense was principally owing to unforeseen accidents; particularly it is said, that a charge of £7000 [1,288,000] was incurred by the making good the London-bridge".<sup>109</sup> Below that article the St. James Chronical published a chart comparing the land tax revenue for the City of London to the entire Kingdom of Scotland:

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<sup>108</sup> Mark Latham, "'The city has been wronged and abused!': institutional corruption in the eighteenth century," *Economic History Review*, 2015, 1038-1061.

<sup>109</sup> St. James's Chronicle or the British Evening Post, "London," St. James's Chronicle or the British Evening Post 23 February 1764.

	Land Tax, 1764		
	l.	s.	d.
The City of London	123,309	6	7
The Kingdom of Scotland	47,954	1	2

The article continues to describe the coming increase tax rates on soap, candles, coal, and “other necessities of life”.<sup>110</sup> Ultimately the British citizens were the ones paying for the systemic corruption which was, in no small part, imported in from its Empire. The British populace labored under large taxes, and if the reason for the taxes did not come directly from the corruption in the public sector then it came indirectly from the military expansion and warfare used to further the monetary goals of the few benefiting from Britain’s Empire.

As the Nabob’s returned with fabulous treasure from the East, British corruption reached the level of absurdity. The Black Book documents the corruption of the British public sphere in the beginning of the 19<sup>th</sup> century and consistently makes note of the worsening nature of the corrupt society.<sup>111</sup> The book dedicates an entire chapter to the direct corruptions of the East India Trading Company and makes note of its impact on Parliament and the Gentry.<sup>112</sup> The most common form of corruption was the creation of

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<sup>110</sup> John Pompey Wilkes, "A New North Briton," St. James's Chronicle or the British Evening Post 9 April 1764.

<sup>111</sup> John Wade, "The Black Book: Corruption Unmasked!!," (London: J. Fairburn, 1820).

<sup>112</sup> Wade, "The Black Book," 73

sinecure positions, often relating to the governance of the Empire.<sup>113</sup> Two examples include Lord Auckland and the Wyndham brothers, both Whigs who represented constituents in Southern England. Lord Auckland was paid an annual salary of £1400 (200x the average wage) to be Vendue Master of Demarara. Percy Charles Wyndham became the Secretary of Jamaica in 1763 and was paid £4,000 a year (53x the average annual salary). His brother then joined some years later and was rewarded by the inflation of corrupt expectations, as time went on more dirty money came into the system from the East and people expected more in bribes. He received a £7000 yearly salary for undertaking the ‘onerous’ position of Clerk of Emoluments in Jamaica. In 1823, when British corruption was reaching its zenith, the two brothers received a £649,000 (£76 million in today’s currency and 8,500x the average annual salary) principal amount for their services regarding the island province. Unfortunately for the British taxpayer, neither of the brothers had ever stepped foot in Jamaica, nor did Lord Auckland ever see the shores of Demarara. The positions earning them their enormous imperial salaries, inflated due to the Company’s servants ever increasing cuts, were completely ceremonial, not benefiting the taxpayer what so ever. A stranger sinecure from this period revolves around an arcane group known as the Pole-axing Brotherhood. This group of nobles’ jobs were created in 1509. The position entailed attending the King’s coronation and bringing him food at the coronation feast. This, once in a generation honor and responsibility, awarded the members of this group the same annual salary as the President of the United

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<sup>113</sup> W.D. Rubinstein, "The End of "Old Corruption" in Britain 1780-1860\*," *Past & Present* November 1983, 55-86.

States at the time.<sup>114</sup> In a shocking example of pinnacle excess, Lord Bathurst hoarded the positions of the Secretary of War, Commissioner of Affairs of India and teller of the Exchequer and was granted a salary of £32,700 (£3,126 million) in 1832.<sup>115</sup> A small cohort of men in the upper echelon of society were being bribed with fabulous wealth from the Crown's imperial possessions while the tax payer funded the navy that protected their cash flows.

The British populace was feeling the pain of the taxes. Countless articles and editorials at the time were written on the subject. For example, one wrote about the "most heavy and most grievous tax laid upon gin" and the "enormous tax upon beer" then asked the government, "why will you let poor Arthur Murphy starve".<sup>116</sup> Another article in response to the American colonies protest against British taxes from the Seven Years' War rhetorically asked, "Why did the Ministers take no care to make some stipulations in favor of England, with these independent states, before they plunged into a ruinous war on their defense? Why is the poor man charged for the light of the day? Why does the Laborer drink his porter and small beer drearier than he did? Why is there an additional tax on almost everything, but for the sake of a people who now deny themselves to be dependent on England?"<sup>117</sup>

Corruption in the long 18<sup>th</sup> century did not just rob the British citizen in the direct sense, but also through the dilution of good governance. The system centered around

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<sup>114</sup> Rubinstein, "The End of "Old Corruption" in Britain 1780-1860\*," 55-86, 67.

<sup>115</sup> Rubinstein, "The End of "Old Corruption" in Britain 1780-1860\*," 55-86, 61.

<sup>116</sup> John Pompey Wilkes, "A New North Briton".

<sup>117</sup> St. James's Chronicle or the British Evening Post, "Letter to Printer of the St. J. Chronicle," *St. James's Chronicle or the British Evening Post* 25 March 1775.

corruption rarely produces the most capable lawmakers nor does it create a culture or incentives to work for the better good of the community they swore to serve. A public perception of a breakdown in governance becomes clear in William Hogarth's *The Humours of an Election* series of political oil paintings made in 1755. The first of the series, *An Election Entertainment*, parodies the Last Supper and depicts corrupt politicians in a closed-door discussion while being over indulged with wine and spirits.<sup>118</sup> The next, *Canvassing for Votes*, depicts opposing members of parliament attempting to bribe an innkeeper to vote for them. Meanwhile, in the corners of the work, there is a soldier and a lion devouring a fleur-de-lis.<sup>119</sup> The soldier peeks out of the shadow, sheepishly stares at the figurehead, blind to the dealings of the two members of parliament or the woman sitting on the lion counting her newly won bribes. The soldier represents the waning and blinded nature of uncorrupted nationalism.<sup>120</sup>

British Parliament's behavior, fifty years later, during the push for the Act of Union, which was the British union with Ireland, laid their culture of corruption and excess bare. The famous Irish poem summarizes the collective view of the Irish once they discovered all the secret dealing that went into the Act of Union:

How did they pass the Union?  
By perjury and fraud;  
By slaves who sold their land for gold  
As Judas sold his God.  
...And thus was passed the Union

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<sup>118</sup> William Hogarth, "An Election Entertainment," Sir John Soane's Museum, (London: 1755).

<sup>119</sup> William Hogarth, "Canvassing for Votes," Sir John Soane's Museum, (London: 1755).

<sup>120</sup> Hogarth, "Canvassing for Votes".

## By Pitt and Castlereagh<sup>121</sup>

The British used a cocktail of intimidation and bribery to influence the Irish Parliament to accept the Act of Union. W.E.H Lecky termed the British actions in Ireland as ‘a virus of corruption’. No historians debate that the British utilized bribery to secure the Irish Parliament’s vote against Ireland’s popular will, but many argue the comparative level of corruption. J.H. Rose in his biography of William Pitt described the bribery used to secure Ireland as “not much exceed[ing] those normally needed to carry any important bill through Parliament in this period”.<sup>122</sup> William Pitt the Younger, the youngest Prime Minister ever whose meteoric rise is often attributed to the powerful influence of his father (William Pitt the Elder), Castlereagh, and Cornwallis earned fame or infamy through their political shenanigans in Ireland. Pitt authorized the promotion in the peerage, large ‘compensations’ that totaled a minimum of £1 million (55,555x the yearly income of an average Irishman)<sup>123</sup>, providing church positions [one of the most common forms of corruption according to the Black Book], and numerous accounts of coercion.<sup>124</sup>

<sup>125</sup> <sup>126</sup> An Irish pamphlet from the time bemoans that Irish Independence has been “exchanged for a deadly influence gained by corruption and treason, to what end have we been drained even to beggary and famine to pay for our government to guard us from foreign oppression”.<sup>127</sup> The Irish people were shocked, disturbed, and felt betrayed by the corruption undertaken between the two Parliaments. The bill was so vehemently

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<sup>121</sup> John Ehrman, "The Younger Pitt: The consuming struggle," (New York: Stanford University Press, 1983),187.

<sup>122</sup> CCEA, "Student Guidance History," (London:CCEA, 2009), 12.

<sup>123</sup> Christopher Hibbert, "The English: A Social History," (London: Christopher Hibbert, 1987), 234.

<sup>124</sup> CCEA, "Student Guidance History," 12.

<sup>125</sup> Wade, "The Black Book," Table of Contents.

<sup>126</sup> Patrick M. Geoghegan, "'An Act of Power & Corruption?'," History Ireland, accessed 27 March 2017.

<sup>127</sup> Arthur O'Conner, "To The Irish Nation," The State of Ireland 1 February 1798.

unpopular among the populace that the writer suggests giving up all possessions and food to place a bribe to rival the British. To the Irish Parliament and people, this sum and scale of corruption and bribery was unheard of and resulted in a massive backlash in the press, but as J.H. Rose indicated, this scale and complexity of corruption was on par with most big bills in Britain towards the end of the 18<sup>th</sup> century. The black system in Parliament had become so inflated with wealth from India and other imperial holdings that politicians were required to, due to competition, use sums of money previously unheard of. As the black systems increased in value it became more complex and advanced.<sup>128</sup> The East India Company brought experts in corrupt political governance and administration from their Indian training group back to London. The Irish political system could not stand up to the complexity or scale of the Imperial British model; despite clear public sentiment and negative long-term effects, the Irish Parliament signed the Act of Union, falling to the Imperial British system of corruption.

Complexity in the tax code, clear graft within the tax collection system, and a hopelessly corrupt, byzantine political order are considered primary causes for the French Revolution. From 1730 to the eve of the French Revolution, the tax revenue derived from French citizens increased by 273%, over the same period across the channel, British tax revenue derived from its citizens increased by 26 percentage points more, 296%.<sup>129</sup> As shown by both the Black Book and the subsequent research, British public figures were taking massive sums of money from the pockets of their own citizens. However, the British did not host their own revolution. The only difference between the two states is

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<sup>128</sup> Rubinstein, "The End of "Old Corruption" in Britain 1780-1860\*," 55-86, 72.

<sup>129</sup> A. Gonzalez Enciso, "War, Power and the Economy," (New York: Routledge, 2017), 71.

that the French stole from their citizens directly, while the British conducted their own inefficiencies and corruption covertly. The British may not have had to endure their own French Revolution, but the corruption that infested the British political system could have easily boiled over and caused an entire society to fall to chaotic change.

### **Summarizing Public Costs for Empire**

“Your map of Africa is Really quite nice. But my map of Africa lies in Europe. Here is Russia, and here... is France, and we’re in the middle – that’s my map of Africa”.<sup>130</sup> Otto Von Bismarck, the political mastermind of the 19<sup>th</sup> century, viewed imperial territories as a waste of resources and personnel. A shrewd and calculating man, Bismarck, saw imperial territories as nothing more than a trophy for national egos, believing that all the true political and economic power lay within Europe, the home of the international empires. From a national standpoint, Bismarck was completely correct.

Linda Colley wrote in her detailed summary of Britain in the long 18<sup>th</sup> century, *Britons*, that “at the outset of the Seven Years War... it was still Continental Europe that was easily Britain’s most important market, absorbing some four-fifths of its domestic exports and re-exports, and supplying most of its imports”.<sup>131</sup> Colley, who supports the economics of imperialism, argues that this fact is misleading in three main points. First, she argues imperialism was forward looking due to the slow trade growth within

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<sup>130</sup> Otto Von Bismarck, “Discussing Emin Pasha Relief Expedition with Eugen Wolf”, 5 December 1888.

<sup>131</sup> Colley, “Britons,” 68.

European markets compared to the explosive trade growth within the American colonies and the captive markets in India, indicated by the East India Company's forty-fold increase of tea shipments to Britain in a fifty-year period.<sup>132</sup> Second, that raw goods from America and India were important for the 'balance of trade' or re-export market. Third, she argues for the theoretical upward spiral of government military and administrative investment increasing merchant profits and in turn increasing tax revenues by far more than the original government investment, discussed earlier.

Colley makes an important distinction in passing but does not tackle its full importance as the nature of her book centers around the British identity, not its economics. When talking about British trade throughout the Empire, she distinguishes the "colonial" market in America from the "captive" market in India. American colonists are simply British citizens that went to settle in a new land on their own free will. In the eyes of Britain, they went to cultivate new, untapped resources and build an economy from scratch. This directly contrasts an imperial province. In India, the British conquered a civilization that had an economy and then ruled over them. In India, the British went to destroy, loot, and command rather than build and explore. This thesis does not argue against the form of colonization the British undertook in America but does argue that the benefits of Imperialism are overwhelmingly outweighed by its demerits.

The colonial American market was far more crucial to the British than the Imperial Indian market. America was the western world's fastest growing market.<sup>133</sup> On the eve of the American Revolution, the colonies trade with Britain amounted to £2

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<sup>132</sup> Colley, "Britons," 69.

<sup>133</sup> Colley, "Britons," 70.

million (£280 million) in exports and imported £4.2 million (£588 million) of British goods.<sup>134</sup> In one generation the population of the American colonies grew 11 times over from 250,888 to 2,780,569.<sup>135</sup> America quickly became an integral consumer for the growing British industrial machine. This thesis argues the periphery issues such as corruption, military, and social costs that imperialism burdens the common citizen with, but ignoring these peripheral points and looking in sheer economic terms, a growing mature economy of free citizens is significantly more stable and profitable than looting a conquered territory. The short-lived Spanish Empire perfectly demonstrates this fact. The Spanish inflated their economy with looted gold and silver and had no firm economic structure to utilize their capital.

Colley's point that the East India Trading Company's forty-fold increase in tea shipments is also misleading. The monopoly did not bring in the majority of tea from India. Smugglers brought a great deal more tea to Europe and even Britain than the East India Trading Company, in no small part due to the corruption and private trade of Company servants who wanted to avoid taxation and keep the profits.<sup>136 137</sup> Which further nullifies Colley's next point, that there existed a mutually beneficial upward spiral between the merchants and the government. When a significant majority of the monopoly's goods are smuggled, untaxed, to further corruption the cycle becomes too porous to grant any significant benefit to the public.

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<sup>134</sup> James T. Lemon, "Colonial America in the Eighteenth Century," *University of Toronto* October 2016, 142.

<sup>135</sup> Lemon, "Colonial America in the Eighteenth Century," 122.

<sup>136</sup> Colley, "Britons," 69.

<sup>137</sup> Dirks, "The Scandal of Empire," 38.

Lastly, Colley's argument that slow European trade expansion necessitates conquering imperial markets is circular. Trade with other mature European countries grew slowly because England focused on protectionist policies, trade within the empire, and antagonized other nations by aggressive pursuit of territory. Focused trade with the European markets and America would have been more profitable, result in far less military deaths and expenditure, corruption, and social turmoil.

Adam Smith argued against the East India Trading Company and Britain's imperialist policy in *Wealth of Nations*, released in 1776.

The maintenance of this monopoly has hitherto been the principal, or more properly perhaps the sole end and purpose of the dominion which Great Britain assumes over her colonies. In the exclusive trade, it is supposed, consists the great advantage of provinces, which have never yet afforded either revenue or military force for the support of the civil government, or the defense of the mother country. The monopoly is the principal badge of their dependency, and it is the sole fruit which has hitherto been gathered from that dependency. Whatever expense Great Britain has hitherto laid out in maintaining this dependency has really been laid out in order to support this monopoly... Under the present system of management, therefore, Great Britain derives nothing but loss from the dominion which she assumes over her colonies.<sup>138</sup>

Adam Smith's logical argument that the East India Trading Company and imperialist policies only harm Great Britain coupled with John Wade's *Black Book* bringing the subsequent corruption to public attention finally lead to an anti-corruption bill and Parliament seizure of India. However, for a century after Adam Smith's compelling

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<sup>138</sup> Adam Smith, "An Inquiry into the Nature and Causes of the Wealth of Nations,"

argument and for a further thirty years after Wade's release of the *Black Book*, the Company continued to pillage India, smuggle to avoid taxes, and demand British military and taxpayer support. The East India Trading Company exhibits the incredible longevity and hardiness of a corrupt system and the vitality of checking the power of internal corporations. The importance of checking the power of other central, domestic institutions such as the executive, judiciary, and legislature is frequently discussed, but the East India Company clearly shows the need to check the power of corporate institutions as well.

### **Conclusion**

The modern consensus views corporations just as the British viewed the East India Company in the 18<sup>th</sup> century. This misperception, believing that companies are national champions or that one-way transactions are beneficial, threatens modern national societies, political systems, and livelihood. The East India Company was a behemoth that served the narrow interests of the few against the interests of greater populations. This Company ruled over a civilization, and companies today still have undue amounts of power. Apple has more cash on hand than two-thirds of the world's nations.<sup>139</sup> Companies today avoid paying tax contributions to their mother country but expect their nations to support them financially, politically, and legally in times of need, just as the East India Company used Britain. Companies today have evolved past the notion of a 'national firm'. Large corporations have become "metanationals" and are effectively

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<sup>139</sup> Parag Khanna, "These 25 Companies Are More Powerful Than Many Countries," Forbes April 2016.

stateless.<sup>140</sup> National flagships like General Electric, IBM, Microsoft, and Apple hold trillions of dollars abroad, tax-free. Companies do not hesitate to move headquarters to a different country to benefit from a different tax rate. However, these same companies expect the countries they are founded in to aid and protect them. When the global economy took a downturn in 2008 the United States taxpayer was expected to pay for corporate overreach and hubris. The US taxpayer spent 49.5 billion dollars, or roughly half of what the US government spends on education, on bailing out GM alone, the same company that claimed ‘what’s good for GM is good for America’.<sup>141</sup> Despite only four out of seven GM factories residing in the US.<sup>142</sup> Furthermore, the cost of tax loopholes and tax cuts have doubled since 1987 to 180 billion dollars annually, more than annual federal spending on education and infrastructure combined.<sup>143</sup> In 1944 the federal income derived from corporate profits and those from individual taxes were roughly the same; today the individual taxpayers bears 46.5% of the federal tax burden while corporations account for only a measly 10.8%.<sup>144</sup> These tax breaks and tax loopholes only benefit the large corporate ‘national champions’ that can afford to move their money to less expensive countries or hire accounting agencies to minimize their tax expenditure. At least \$110 billion of federal taxes subsidize businesses, with 3 of every 4 dollars going to fewer than 1,000 big corporations.<sup>145</sup>

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<sup>140</sup> Khanna, "These 25 Companies Are More Powerful Than Many Countries"

<sup>141</sup> Joel D. Joseph, "What’s good for GM is not necessarily good for America," *The Hill* 4 April 2016.

<sup>142</sup> Joel D. Joseph, "What’s good for GM is not necessarily good for America,"

<sup>143</sup> Kim Dixon, "Corporate Tax Breaks Cost U.S. Government \$180 Billion Per Year: GAO Report," *Huffington Post* 4 May 2015.

<sup>144</sup> National Priorities Project, "Corporate Tax Breaks and the Federal Budget," *National Priorities Project* 15 April 2017.

<sup>145</sup> David Cay, "The shocking numbers behind corporate welfare," *Aljazeera America* 25 February 2014.

The belief that corporation's interests and those of the nation align also indirectly weigh on national prosperity. Frequent and popular articles titled, "China Beating US in Race to Invest in Africa" create the illusion that America and China are in an important competition that will alter America's prestige and influence the quality of life for its citizens. In reality, there is no race to invest in Africa. China promotes its companies to invest in unstable, war-torn regions that have extremely questionable human-rights records. Many of these locations are simply not prudent investments. More American corporate investment would naturally flow to Africa if it had a higher guaranteed rate of return. However, national pride pushes countries to support its flagship corporations against foreign competitors with legal support, lighter regulation, and the creation of the concept "Buy American". For example, when the US petroleum company Exxon spilled oil off the coast of Alaska in the Exxon Valdez disaster, they were originally liable for 5 billion dollars to compensate for the 7-billion-dollar damage done in Alaska, but 24 years later the US Supreme Court cut the fee by 90% to 500 million dollars. America's treatment of Exxon contrasts with the US settlement against the British petroleum company, BP, who had to promptly pay the US government 20.8 billion dollars when it spilled oil in the Gulf of Mexico.<sup>146</sup> Lastly, the government and public's willingness to not enforce anti-trust regulation to strengthen America's corporate champions may be the single largest drag on the American economy today. Globalization and the idea of an international competition among firms have, in part, lead to the creation of massive conglomerates. For example, the creation of super companies like Google, Apple, and

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<sup>146</sup> Yereth Rosen, Exxon Valdez oil spill saga reaches anticlimactic end in federal court," adn, accessed 15 April 2017.

pharmaceutical companies such as Johnson & Johnson and Pfizer removes competition from almost every major industry. Apple and Google demand private personal details and access to customer's daily lives; pharmaceutical companies charge outrageous prices for life-saving medicines because the consumer has no choice, there is no alternative. Similarly, American internet speed ranks 42<sup>nd</sup> in the world, behind Lesotho and Slovenia, because telecommunications giants such as Comcast, Time Warner, Verizon, and AT&T have "divided up markets and put themselves in a position where they're subject to no competition".<sup>147</sup>

Just as the East India Company's growing wealth contributed to political clout in Britain large firms today hold sway over national politics. Although British bribery in 18<sup>th</sup> century far outpaced its modern equivalent in America, large companies still brandish carrots and sticks to impose their will on the public sector. Corporations have t

he same rights as a citizen in US law and can utilize money as a form of their constitutionally protected right to free speech. An investment in a lobbying group to prevent stricter tax laws or change accounting principles tend to be prudent for large firms making billions of dollars in annual profits. Large corporations also have the flexibility to brandish the stick, by threatening to move factories or jobs out of a district,

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<sup>147</sup> John Aziz, "Why is American internet so slow?," The Week 5 March 2015.

state, or country. Ford recently publicly used this tool to extract a deal from President Trump, by threatening to move a plant from Detroit to Mexico.<sup>148</sup>

British society quaked when a few East India Company servants from the Empire returned to Britain. The mix of cultures and test of what it meant to be British sent British society into an uproar. The current globalizing trend of business and corporations puts every society to an even more sustained test. An often forgotten global phenomenon, the trend towards global uniformity has been rapid and frequently taken as a rule of nature. The golden arches of McDonald's that populate every major city from Beijing to Budapest and from Parbhani to Paris symbolize this meteoric change. Most of the free world has instant access to each other. How everyone speaks, thinks, and what they believe are all accessible through the internet. All of the developed and a vast majority of the developing world can discuss and understand what a bottle of Coke tastes like. Certain brands bring the world a sense of uniformity and erode regional cultures, diets, and dialects. Regional cultural identities that have existed for over a thousand years are almost expected to vanish in two generations of globalization. Furthermore, large corporations are in part responsible for current American social distress. American society is built upon the notion of the American Dream. A notion where any enterprising person who worked hard could become create a good, wealthy life. For many decades the American Dream has centered around a hardworking, entrepreneurial person starting his or her own business and being a proud owner and proprietor. Corporate consolidation and domination of markets make this dream of wealth and independence nearly impossible.

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<sup>148</sup> Paul A. Eisenstein. "Ford Cancels Mexican Plant but Is still Moving Small Car Production." *NBC News*, Jan 3, 2017.

The tech industry has few barriers to entry, meaning it should be the perfect starting ground for any enterprising person with an idea. However, even in the tech industry a majority of companies with a good or competitive idea is quickly snatched up or pushed out by Apple, Facebook, Amazon, or Google.

The consequences brought about by the East India Trading Company and the treacheries of imperialism exemplify the modern need to be wary of corporate, national heroes and a one-way transaction. As the news continues to become littered with stories of international competition and super-mergers, it is imperative to remember the East India Company's false promises and their effect on Britain.

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