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During the first half of the nineteenth century, the armies of the East India Company extended British rule into every corner of the Indian subcontinent. Confronted with the totally unfamiliar task of administering a vast oriental empire, the British responded by converting India into a giant social laboratory. They experimented with transplanting their institutions onto Indian soil and applying current western economic and social philosophies to Indian conditions. Through trial and error they tested schemes for the administration of local government and land-revenue systems, fashioned codes of law and grappled with the question of interfering with religious customs they considered unacceptable. In contrast to the later nineteenth century with its bureaucratized, imperial leviathan, the first half of the century was a period of flexibility when alternative systems of relationships between ruler and ruled seemed possible. One of these alternatives was presented by a prominent Bengali merchant, Dwarkanath Tagore.

Dwarkanath Tagore (1794–1846), a western-educated Bengali Brahmin, was the acknowledged civic leader of Calcutta during the 1830s and 1840s. Though a brilliant entrepreneur, he subordinated his business activities to political and social ends. Tagore envisioned a future India that was westernized and industrialized and whose inhabitants enjoyed without discrimination the rights and liberties of Englishmen. He would lay the foundations for this new India in his own day by promoting an all-encompassing interracial partnership of Britishers and Indians. One component would be the community of British settlers who, like the colonists in America, Australia, New Zealand, and South Africa, would strike roots in the country and develop local allegiances. The other component would be progressive-minded Indians who would associate with the British as equals in business, social, cultural, and political activities. Together they would form a single community with local loyalties. Upon this
provincial partnership would be built an imperial partnership in which India would join with other dominions of the British empire in a common, worldwide empire of equals. Tagore's vision was not as fanciful as it may appear. He and his contemporaries were products of eighteenth-century rationalism and nineteenth-century liberalism, ideologies that supported such concepts as progress, liberty, and internationalism. Even more to the point, Tagore was a businessman, and business was the traditional area for interracial collaboration in India.

Indo-British business collaboration began in the seventeenth century, when the East India Company first established its major trading posts at Madras, Bombay, and Calcutta. These coastal enclaves attracted Indian merchants from all corners of the subcontinent, who came to take advantage of the opportunities created by the British. Some worked as agents and brokers, others joined the Europeans as partners in commercial ventures and still others developed their own merchant houses. One of the attractions of the British ports must have been the security of living in a town ruled by a company of merchants who understood and respected property rights and the sanctity of contract. In these British enclaves, a number of Indian business communities rose to wealth and prominence. Bombay on the west coast attracted Gujarati trading castes as well as Parsis, Jains, and Muslim Bohras. To Madras came the Chettiys of Tamilnad and the Komatis from Andhra.

In Calcutta, Bengali trading castes, such as the Subarnabaniks, were joined by Brahmins and Kayasthas who worked as agents, brokers, and contractors for the British. Among the Brahmin families who came to seek their fortune in Calcutta were the ancestors of Dwarkanath Tagore. From farther afield came other traders—Armenians and Bagdadhi Jews who settled in all three cities. Also participating in the British network were inland trading communities such as the Marwaris of Rajasthan and the Khatris of the Punjab, who linked the port of Calcutta with northwestern India. By the late eighteenth century the East India Company's coastal enclaves had become wealthy and prosperous centers of power from which the British were able to launch their conquest of the subcontinent.

The British conquest of India coincided with the industrial revolution and both events radically changed the entire context of Indo-British economic relations. The conquest united into one dominion two nations at opposite ends of the industrial-technological
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spectrum. Whereas Great Britain led the world in industrialization and in the application of modern technology, India’s peasants and artisans worked with tools that had been passed down virtually unchanged for thousands of years. Because of the technological disparity of the two countries, the British conquest exposed India to uncontrollable economic pressures. British factory-made textiles replaced indigenous products in the local bazaars, and to pay for these new imports, landlords converted cropland and jungle to commercial agriculture. Exporters developed overseas markets for such Indian products as opium, indigo, sugar, tea, coffee, and cotton. India became an integral part of the world economy, and the Indian peasant found himself dependent for his well-being on the demands of a distant consumer.

Among the great unknowns in the flux and uncertainty that characterized early-nineteenth-century India was whether British rule would bring prosperity or poverty. By sharing with India their skills, entrepreneurs, capital, and technology, the British could develop the country’s abundant natural resources and encourage manufacturing as well as commercial agriculture. Their alternative was to exploit India as a dumping ground for manufactured goods and as a source of cheap raw materials for home industries. By the end of the century it was evident that the economic impact of British rule had not been the same in all parts of India or in all periods of British rule. When and where industrial development did, in fact, occur depended to a large extent on the vitality and commitment of the local business entrepreneurs, European and Indian.

In eastern India, Dwarkanath Tagore and a handful of like-minded contemporaries of both races provided the entrepreneurship. One of Tagore’s goals was to carry over the commercial partnerships and other organizational forms of the mercantile age into the industrial age. A second goal was to import the industrial revolution into India and to adapt the steam engine to commercial use. Tagore organized the first coal-mining company and the first steam-tug and river-steamboat companies, and was among his country’s pioneer railway promoters. To facilitate these enterprises he launched a commercial bank, insurance companies, and commercial newspapers. He engaged in ocean shipping, under both steam and sail, and tried his hand at applying modern technology and organization to tea planting, salt manufacturing and sugar refining. In all of these undertakings he associated with British partners.
By 1840 it appeared that Calcutta and its hinterland were on the threshold of a small-scale industrial revolution. Then a series of commercial crises shook the Calcutta business community and by 1850 the momentum failed, the interracial coalition fell apart, and, though Calcutta continued to grow as a commercial and financial center, the city lost its industrial leadership to Bombay. Calcutta became an enclave port with stronger economic ties to Europe than to its own regional hinterland. The development of new industries such as iron and steel, heavy machinery and tool manufacturing, glass, paper, rails, and rolling stock had to wait until the twentieth century. By that time, eastern India had lost the competitive advantage that comes with early industrialization. The tragic irony is that, in terms of resources, eastern India—the present-day economically depressed states of West Bengal, Bihar, and Assam and the nation of Bangladesh—is the richest area in South Asia. The region contains vast deposits of coal, iron ore and other minerals, a fertile soil, a large number of educated people and a potentially large skilled labor force. If the dynamism of the "age of enterprise" had been sustained, if the industrial revolution of the 1840s had not been aborted, eastern India might have developed indigenous industries commensurate with its natural and human resources.

Why did the dream of Dwarkanath Tagore fail to materialize? Why did the industrial development of eastern India lag so far behind its potential? One reason is that the enterprises undertaken during the period from 1830 to 1850 were poorly managed and failed to make the proper use of modern technology. On the macro-economic level the failure can be attributed to the adverse effects of Bengal’s heavy commodity-trade imbalance on prices and investments and to the fact that the types of products exported from the area were particularly susceptible to severe market fluctuations. The government, too, was responsible for the industrial lag by its failure to enact a law of limited liability or to underwrite public-service enterprises designed to develop an industrial infrastructure. But more deep-seated were social and cultural factors. The indigenous Bengali elite turned its back on business and left modern industry and international commerce in Calcutta to Europeans, who controlled it until well into the twentieth century and after independence transferred it to non-Bengali business communities.

It is possible that the literature on entrepreneurship has overlooked an important factor determining investment decisions. This factor
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can be called “local commitment,” and the lack of it is the essence of economic imperialism. The alien entrepreneur, one suspects, has little interest in reinvesting his profits in local enterprises or social overhead. He is like a farmer who refuses to replenish the soil with nutrients, taking but never giving, exploiting but never contributing. Furthermore, he lacks knowledge of and interest in the region’s economic potential. He would rather import his managers and materials from regions in which he feels “at home.” Third, colonial industries seem to attract marketing rather than production specialists. Alien businessmen are more familiar with importing and exporting than with the production process, which requires a deeper understanding of local conditions. For the full and balanced economic development of a region, a locally based and locally committed group of businessmen is essential.

After the death of Dwarkanath Tagore, such a group was wanting in Bengal, and in the late nineteenth century the indigenous elite played only a minor role in the modern sector of Bengal’s economy. In part, the blame for this can be ascribed to British racism and, perhaps, to official policy, but to a large extent it lies with the antibusiness attitudes inherent in the dominant culture of Bengal. This dominant culture reflected the values of the Bengali *bhadralok*, literally, the “respectable people,” who composed the western-educated middle class. It included a preference for occupations requiring education, the ownership of land, and an idealization of the casual, simple, and graceful life of a country gentleman. Bhadralok culture is peculiar to Bengal and grew out of historical circumstances.  

Bengal is the home of one of the distinctive subcultures of south Asia. The region was originally the eastern frontier of the Indic heartland in the Ganges Valley, and, in isolation from the heartland, Bengal became a haven for non-Aryan religions such as Buddhism and Jainism. Her first great indigenous dynasty, the Palas, who ruled the country from A.D. 750 to 1150, were ardent Buddhists. Under their rule the merchant communities of Bengal enjoyed a high status and grew wealthy in trade with Ceylon and Southeast Asia. In contrast, the succeeding dynasty, the Senas (1150–1250), supported Brahminism and suppressed Buddhism and, by re-establishing Brahmanic orthodoxy, degraded the merchant castes. In the thirteenth

century the Muslim invasion dealt a final blow to Buddhism in Bengal. The lower classes were converted to Islam and the upper classes reacted with even more vigorous support for orthodox Brahminism. Brahmins continued to dominate the caste system to the detriment of the merchant castes. As a result, the caste hierarchy of Bengal was bifurcated. At the top were the learned castes—Brahmins, Baidyas, and Kayasthas. Because the orthodoxy recognized no middle-range castes, the merchant castes—Subarnabanik, Gandhabanik, and Tantubanik—were classified as Sudras. Thereafter Bengali culture was dominated by Brahmin and Kayastha values. The Brahmins were teachers, priests, and administrators; the Kayasthas primarily administrators, and the Baidyas, physicians. These castes were employed as administrators by Muslim officialdom and the great landholders of both religions. Commercial occupations were considered beneath their dignity.²

It was the European traders who removed at least part of the stigma from commerce. The East India Company had both trading and governmental functions, and at first there was no clear distinction between mercantile and administrative service. In the seventeenth and eighteenth centuries the East India Company and individuals in its service employed—along with Bengali merchant and artisan castes—Brahmins, Kayasthas, and Baidyas as agents and contractors. On the one hand, many Brahmins and Kayasthas became traders, commission agents, and brokers as well as administrators; on the other, Bengalis from merchant castes became administrators as well as traders. Men of both groups alternated between commercial activity and employment in such agencies as the salt and opium departments and the mint. The entire group of Indians who worked as British agents were called banians, the Indian equivalent of compradors, and took on certain common characteristics. Although upper and lower castes were still separated with regard to Hindu rituals and marriage alliances, all enjoyed the reflected prestige of the new rulers, were more or less wealthy, and were interested in European culture.

With the banian, the bhadralok style began to evolve in the eighteenth century. It included associating with the Europeans and taking an interest in acquiring the linguistic, legal, and administra-

tive skills necessary to advance in British employment. Although commercial activity in association with the Europeans was considered respectable, upper-caste Bengalis were still partial to administrative, professional, and intellectual occupations. As the expansion of British rule increased the demand for people trained in these areas, young Bengalis flocked to the colleges to prepare themselves for careers in administration, law, medicine, journalism, and education. In Dwarkanath Tagore’s day, business was still a possible component of the bhadralok life style, but after the middle of the nineteenth century, training for a profession was usually substituted for entering business. Not only were there more opportunities in the professions, but these careers were more in accord with the bhadralok value system.

The final component of the bhadralok life style, landholding, was also introduced by British rule. In 1793, the government, in conformity with Whig doctrines of private property, assigned and guaranteed property rights in the land to a class of landlords designated zamindars. To encourage the zamindars to improve their estates the government pledged that the annual tax on each estate would remain fixed in perpetuity. Initially, however, the tax assessments were too heavy, and, when many of the old large estates failed to meet their assessments, they were put up for auction and purchased by wealthy banians. Gradually, as inflation effectively brought the assessments down to reasonable levels, the estates increased in value. The zamindar became a small raja, the effective ruler of all the villagers encompassed by his estate, and ownership of a zamindari became another measure of social status. Though he might still reside in Calcutta and perform his mercantile or administrative business, the zamindar acquired a country home where he could house his dependents and celebrate his holidays. Zamindari rents became the source of a regular income independent of the vicissitudes of trade. The zamindar’s sons were not raised in the bustle of city mercantile life, but were brought up as young gentry. Imbued with the traditional respect for education, they were expected as a matter of course to enter either a local college, or Calcutta University, or, later in the century, a college in Britain. As a result, the bhadralok, including the descendants of Dwarkanath Tagore, lost their “instinct for business.” No Bengali was more

passionate in his denunciation of the bhadralok value system than Prafulla Chandra Ray, a professor of chemistry and founder of the Bengal Chemical and Pharmaceutical Works. In 1932 he wrote:

The Bengali has learnt to look upon a University degree as the sumnum bonum of his ambition. . . . He has been traditionally averse to commercial or industrial pursuits as he looks upon them as something derogatory. No wonder that the market is flooded with starving degree-holders. . . . The misfortune of Bengal is that she has allowed herself to be all but ousted from her trade and commerce, internal and external. Her intelligentsia, barring a handful of successful lawyers and placemen, are now reduced to a race of ill-paid and ill-fed schoolmasters and quill-drivers; while taking advantage of her ineptitude and weakness, the powerful and enterprising foreign and non-Bengali traders and merchants have captured all her avenues to wealth.4

Whereas the Bengalis lost control of the modern sector of the economy of their city, that of Bombay remained firmly in Indian hands. Asok Mitra, as superintendent of census operations for West Bengal, compared present-day Bombay and Calcutta and attributed Calcutta’s troubles to the Bengalis’ economic weakness.5

[Calcutta’s] big industrialists and businessmen came from elsewhere with no thought of a stake in the city to start with. . . . The bulk of them have been content to get the most of what the city has had to offer but have hardly ever thought of placing themselves as a group at its service. Thus developed an unfortunate dichotomy. The city’s councillors have been mostly drawn from the liberal professions, the academics, bureaucrats, owners of real estate, rentiers, who sprang from the middle classes, to whom their primary charge was themselves and their kin, and not the producer or entrepreneur.

In contrast, “Bombay’s affairs were quickly taken over by a band of dedicated industrialists, businessmen and entrepreneurs who were large in vision, big in money and unsparing of effort. Bombay was their passion, their destiny, and apart from straining all their surplus energy for the good and prosperity of the city, they gave away their own money in trusts and charities to make Bombay strong, cultured, beautiful.”

The businessmen of Bombay were drawn from traditional western Indian trading castes—Hindu, Jain, and Muslim Gujaratis—or were Parisi whose traditional occupations had been agriculture and

carpentry. In contrast to those of Bengal, the traditional merchants of western India always enjoyed a high social status. They had no interest in administration, and under the British these posts in the Bombay Presidency were filled by Maharastrian Brahmin and Kayastha castes that had served in the bureaucracy of the old Maratha empire. Nor had the merchants of Bombay any opportunity for investment in rural estates, for the area around the city had been settled directly with peasant yeomen. Thus the merchants of Bombay had no other home but the city itself. In Bengal one could attain status and power through a zamindari or a profession, but in Bombay, success in business was the chief road to status. The indigenous city leaders of Bombay were the shetias, the wealthy businessmen, and if a man were to lose his money he would forfeit his standing in the social and political life of the city. Under these circumstances the businessman of Bombay grasped at new opportunities when old investments began to lose money. Thus in the 1850s the Parsis, who were losing ground to new commercial groups and suffering displacement from technological innovations, took the lead in establishing the cotton-mill industry in Bombay.6

Ironically, those who compared the two cities in the period 1825 to 1850 usually believed that Calcutta and not Bombay could look forward to the more glorious future. In 1839 the Bombay Gazette complained that “instead of maintaining the lonely icecold state of magnificence in which we exist, [in Calcutta] the thaw of social harmony has produced a permeative process of coalescence, which is spreading in every direction, and resolving into one community both Europeans and Natives.”7 The zamindari system had given an aristocratic flavor to Calcutta’s civic life by providing for the continuity of elite families who patronized cultural institutions. In addition to becoming a cultural center, Calcutta in 1850 appeared to be on the threshold of becoming a progressive center of trade and industry under the control of local merchants of both races. The career of Dwarkanath Tagore illuminates both the dream and its failure.

6Christine Dobbin, Urban Leadership in Western India (Oxford: 1972) is a detailed study of Bombay city in the nineteenth century.
7Quoted in Bengal Hurkaru, 22 Oct. 1839.