Chapter IX

THE FALL OF THE UNION BANK

1. The Tagore Era

During the period between the commercial crisis of 1830 and that of 1847, Calcutta's largest business institution was the Union Bank. As a joint-stock enterprise with hundreds of shareholders, both European and Indian, the bank reflected the commercial life of the city in all its strengths and weaknesses. The launching of the bank in 1829 had signaled the coming-of-age of the mercantile community. It gave the merchants a mechanism through which they could cooperate to mobilize capital, expand credit, engage in exchange banking, issue banknotes, and influence the production and prices of agricultural commodities. The Union Bank became a symbol of local allegiance, and when it was threatened by attempts from London to establish a rival bank, directors and shareholders rallied to defend their monopoly and preserve local control over banking. Finally, the bank gave European and Indian businessmen equal accommodation, and both races were involved in its direction.

Inevitably, however, the Union Bank labored under the same handicaps as the other commercial institutions of the city. First, almost all its assets eventually were committed to financing the production of a single export commodity—indigo. Second, the government, faithful to the doctrine of laissez faire, denied the bank any official cooperation, regulation, or surveillance. Third, the directors of the bank, like those of other joint-stock companies, were inexperienced and were distracted by the demands of personal business. They left matters in the hands of those willing to devote their time to management, men, unfortunately, of poor judgment and little integrity. As a result the bank failed, the good intentions of the founders were completely frustrated, and the Union Bank, with its vested interest in interracial cooperation, was succeeded in time by banks run exclusively for European needs and actively hostile toward Indian business. 1

When Dwarkanath Tagore and the partners of Mackintosh and Company unveiled their project in May 1829, they received the enthusiastic support of the mercantile community. At the time the only existing bank in the city was the semiofficial Bank of Bengal, which was obliged to give priority to government requirements and to invest its funds in government paper. During the 1820s, three private agency-house banks had, to some extent, served as commercial banks; but as their constituents withdrew deposits on the eve of the crisis of 1830–33, there was need for a new source of credit for merchants, independent of both government and any single house. To fill this need, the promoters issued an attractive prospectus calling for a joint-stock bank to be capitalized at fifty lakhs divided into 2,000 shares of Rs. 2,500 each, accounts open to public scrutiny, frequent meetings of shareholders, and a limit on the number of shares any one person could hold. When, on 28 September 1829, twelve of the fifty lakhs had been paid up, the bank opened for business. Advertisements announced that the Union Bank would discount approved acceptances, bills of exchange, and short-term promissory notes and would receive deposits at 4 percent.

As soon as the new bank was launched, it faced its first major crisis. The directors could not bring themselves to refuse credit to the “prince of British merchants,” and, though his house was on the brink of failure, had loaned John Palmer and Company six lakhs, one-half of the bank’s total resources. When Palmer failed in January 1830, the Union Bank was almost swept under with him. Thereafter, to protect the bank, the secretary, William Carr, adopted the precaution of taking landed property, including indigo factories, as security for the debts of the other agency houses. Although the deed of partnership did not permit loans secured by landed property or indigo factories, when a house in debt to the bank could not meet its obligations, such securities could be sequestered by the bank. When these houses failed, the Union Bank was able to retrieve its losses, but by authorizing the bank to acquire its first indigo properties, Carr had made an ominous decision. During the commercial crisis of 1830–33 the bank paid no dividends, and the original shares, which

3 Bengal Hurkaru, 20, 22 and 27 May, 30 July, and 1, 12 and 14 Oct. 1829.
4 Speech by Dwarkanath Tagore, Bengal Hurkaru, 23 Jan. 1843.
had sold for Rs. 2,500, could be purchased for half that amount. Beginning in July 1833, however, affairs improved, dividends climbed from 6 percent in 1833 to over 8 percent for most of the period after 1836 and, until the commercial slump of 1842, shares sold at par or above.\(^5\)

From the first, relations between the bank and the government were cool. When the Union Bank appealed for a charter of limited liability, the request was denied on the ground that banking was unregulated by law and if the bank were to fail, depositors and creditors would have no legal recourse for their money. Thus, in the eyes of the law the Union Bank remained a partnership; and, though under the law every shareholder-partner had to be joined in a suit, each and every proprietor was legally liable to the fullest extent of his personal resources for any debts of the bank.\(^6\) In addition, the government refused a request from the directors that the notes of the Union Bank be accepted for the payment of revenue at the Treasury in Calcutta.\(^7\) At first, however, Union Bank notes, amounting to a circulation of 13 lakhs, had been accepted by the Bank of Bengal, whose own note circulation was 120 lakhs. But in 1834, because funds were needed for loans to merchants, the Union Bank withdrew the government paper it had deposited as collateral with the Bank of Bengal and its banknotes were no longer accepted. Thereafter, Union Bank note circulation dropped to between 4 and 7 lakhs and its notes were accepted only among a limited circle in Calcutta.\(^8\)

Despite these handicaps, the bank prospered. Toward the end of the decade, however, the directors of the bank, led by Dwarkanath Tagore, made three unwise decisions. The first was to increase the bank’s capital sixfold, from Rs. 15,00,000 to Rs. 1,00,00,000. Following this, they decided to enter the exchange business on a large scale. Finally, they committed the bank to provide vast sums of credit to support the production of indigo. The combination of dealing in bills of exchange, which required high liquidity, with sinking large fixed

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\(^5\)Bengal Hurkaru, 20 Oct. 1845.
\(^7\)I.O., Despatches to India and Bengal, vol. 1, pp. 947–1019; Bengal Territorial Financial Department, 16 Apr. (17) 1834. Letters dated 1831 and 1832.
\(^8\)S.P. Symes Scott, *History of the Bank of Bengal* (Calcutta: 1904), pp. 28, 36. Bengal Hurkaru, 16 Jan. 1835. In 1840, the Bank of Bengal offered to lend the Union Bank ten lakhs at 2½ percent if the Union Bank would withdraw all its notes, but negotiations failed. Bengal Hurkaru, 18 May 1840.
investments into indigo plantations stretched the resources of the bank to the breaking point.

Apparently Dwarkanath had intended from the first that the Union Bank would move gradually into the exchange business, which was divided at the time between the Calcutta agency houses and the East India Company. Dwarkanath represented those houses, less interested in the bill business than in producing indigo, who would stand to gain from a more competitive bill market. Many of the bank’s constituents, however, were from houses whose major business was dealing in bills of exchange. These were opposed to competition from the Union Bank, and Dwarkanath and his friends had to implement their policy by indirection. Instead of proposing that the bank enter the bill business, they called for so large an increase in capital that the bank would have no alternative but to employ its capital in exchange operations. The directors carried through increases in the capital of the bank from 15 to 21.6 lakhs in 1836, to 32 lakhs in 1837, and to 80 in 1838. By 1839 the capital stood at one crore.9

The increase was justified by an apparent threat of competition from a new joint-stock bank, the Bank of India, promoted in London in 1836. Supporters of the new bank included such leading British merchants as Thomas Baring and G.G. de H. Larpent as well as some of Tagore’s old friends, William Little of Rickards, Little and Company, Aeneas Mackintosh, and John Deans Campbell. The promoters were suspected of creating a stalking horse to forestall any serious efforts at imperial banking.10 Their prospectus called for a bank, capitalized at £5,000,000, to be governed from London, with branches in the three presidency towns. It would absorb the Bank of Bengal, collect the government revenues, issue paper currency, handle all government remittances and, in addition, deal in private exchange and bill discounts. On no account, however, would it give advances for agricultural production.11 So preposterously ambitious a scheme could not help but arouse united opposition from all the

9 C.N. Cooke, The Rise, Progress and Present Condition of Banking in India (Calcutta: 1863), pp. 177 ff.
11 Reasons for Establishing a New Bank in India (London: 1836).
local Calcutta interests—the Government of India, the Bank of Bengal, the Union Bank, the agency houses, and the Calcutta press.

The editor of the *Bengal Hurkaru* pointed out that, contrary to its stated intentions, the Bank of India would not be able, any more than the Union Bank, to avoid investment in agricultural production. Any bill of exchange, if not secured on signature alone, would have to be hypothecated to indigo or another commodity. Hence the only difference between the proposed bank and the Union Bank would be that the former would have a government charter, would have its notes accepted, and would be directed from London. Direction from London, according to the editor, not only would be an insult to the local mercantile community but would handicap its operations. The local businessman knows the value of goods, the prospects for future seasons and the character of applicants for credit far better than could the banker resident in London. Sounding much like an Indian nationalist of fifty years later, the editor wrote that India needed not more imported capital or skill, but the free importation of Indian goods into Britain, an end to the “drain of tribute,” an extension of the permanent settlement, the diversion of resources from wars to internal improvements, and the employment of the “native aristocracy” in posts of “honor and emolument.” In any event, the Bank of India never got beyond the proposal stage, nor did similar English schemes such as the Bank of Asia, promoted in 1841, or the East India Bank, promoted in 1842.

In 1837 John Crawfurd developed a more serious argument for an imperial bank in his pamphlet, *A Sketch of the Commercial Resources and Monetary and Mercantile System of British India, with suggestions for their improvement, by means of Bank Establishment*. Crawfurd argued for the separation of commerce and indigo production from exchange

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12 *Bengal Hurkaru*, 11 Apr. 1837.
13 Ibid., 17 Apr. 1837.
14 Cooke, *Banking in India*, pp. 345–46. In time, imperial banks were established. The Delhi and London Bank was founded in 1844, but developed only after 1847. The first important imperial exchange bank was the Chartered Bank of India, Australia and China, founded in 1853. See Compton Mackenzie, *Realms of Silver* (London: 1954). It was followed by the National Bank of India, 1863; the Hong Kong and Shanghai Banking Corporation, 1864; the Mercantile Bank of India, 1893; and the Eastern Bank, 1910. Cooke, pp. 233–34. Unlike the Union Bank, none of these financed agricultural production, which was done almost exclusively by managing agents and Indian moneylenders after 1847. See J.M. Keynes, *Indian Currency and Finance* (London: 1913), pp. 206 ff; and S.K. Basu, *Industrial Finance in India* (Calcutta: 1961), pp. 99 ff.
operations and called the Calcutta agency houses that tended to monopolize all three "mere jackalls, interposed between English capitalists and Risks," who made speculative, long-term investments with money entrusted to them for remittance home. In England the exchange business was conducted by bill brokers, but in India no such class of men existed; and in order to facilitate and legitimate this highly important business, Crawfurd advocated a new type of bank that would specialize in exchange banking between Britain and India.  

With the defeat of the Bank of India proposal and with a crore of rupees at their disposal, the directors of the Union Bank were now ready to propose that the bank enter the exchange business. The debate divided the Calcutta mercantile community along new lines and in the process revealed some of the attitudes toward local investment and imported capital. Essentially, Dwarkanath and his friends agreed with Crawfurd that the exchange business should be conducted by a bank rather than by the agency houses, but wanted the exchange bank to be governed from Calcutta, not from London. In a minute on the subject, dated March 4, 1840, Dwarkanath argued that he had long favored the Union Bank's undertaking the exchange business. Like Crawfurd, he pointed out that London was not really foreign, that it was to Calcutta as Calcutta was to Mirzapur, and that there would be no political uncertainty involved in the transfers. By entering this field, he wrote, the Union Bank would benefit the exporter by checking government rates on advances.

Another supporter of the bill business, the attorney Theodore Dickens, pointed to the abundant capital in Calcutta and argued that if there were "business enough and choice here, do not engage in exchange business with England, but it is precisely because if we do not engage in that business, we shall have other and probably worse business to seek." The bank was embarrassed with money which it could not employ with profit. So long as there was no improvement in the judicial or fiscal administration in the provinces that "would open to the application of our capital the comparatively dormant resources of the interior," he wrote, the only safe place to employ capital was within the limits of the city.

16Bengal Harkar, 11 July 1840.  
17Ibid.
On the other hand, an opponent of the scheme pointed to the danger of having such bills outstanding if the price of indigo were to fall;\textsuperscript{18} and the editor of the \textit{Bengal Hurkaru}, taking the side of the "bill houses," wrote that by lowering the exchange rate, British capitalists, who earned their profits of 8 to 12 percent on the disparity between the rupee and the pound, would be discouraged from investing in India. If the proposed plan reduces exchange toward the level of a bullion rate, asked the editor, "will the English capitalist be satisfied to send out his money to a market to invest without profit in dear produce or dear bills of exchange?"\textsuperscript{19} Inasmuch as European merchants in India were interested only in quick profits to remit home, and indigenous Indian capital was confined to carrying on local business, investment from Britain, he concluded, was the only hope for the development of India. The directors themselves were almost evenly divided on the issue, but when the proposal came up for a vote at the general meeting of July 18, the Tagore steamroller carried it 462 to 63.\textsuperscript{20}

In conducting the bill business, the Union Bank earned a small profit on the rapid turnover of perhaps a third of its capital each year.\textsuperscript{21} The bank would purchase bills in Calcutta drawn on London agency houses and remit these to its London bank, Glyn, Halifax, Mills and Company. It would then sell in Calcutta its own bills on Glyn. The bank's profit was the difference between the buying and selling price of the bills. Although it appeared to be relatively safe, the exchange business was, in fact, full of risks. The bills purchased in Calcutta were drawn at ten months' date, and though they may have reflected a good price for indigo when they were purchased, the price could drop and the house on which they were drawn may not have been able to meet its obligations ten months later. Glyn and Company would then have refused to honor drafts on them by the Union Bank.\textsuperscript{22} If the Union Bank had had the resources to carry on the bill business through bad years as well as good, money hypothecated to indigo would eventually have been repaid. But with one crore of capital, the bank did not have the resources to facilitate the indigo exporters and carry them through unfavorable seasons.

\textsuperscript{18}\textit{Bengal Hurkaru}, 11 July 1840.
\textsuperscript{19}Ibid., 11 July 1840.
\textsuperscript{20}Ibid., 20 July 1840.
\textsuperscript{21}Ibid., 16 Jan. 1847.
\textsuperscript{22}Cooke, \textit{Banking in India}, p. 196.
The high-handed tactics used by Tagore and his supporters in augmenting the bank's capital and pushing through the bill business created an opposition faction among the proprietors. One shareholder complained that the directorship was monopolized by a few houses and, obviously referring to Dwarkanath Tagore, noted that "one man, I do not say European or Native," held so many shares that he could carry any vote. 23 Indeed, after 1834, the directors were invariably selected from members of six agency houses—Carr, Tagore and Company; Cockerell and Company; Gilmore and Company; Hamilton and Company; Fergusson Brothers; and William Storm. 24 Until 1844, Dwarkanath controlled the policy of the bank, not only through the large number of shares he personally owned, but by soliciting those of relatives, dependents, partners, clients, and friends. The case of A.H. Sim illustrates his power. Sim, an accountant, was removed in October 1838 for some minor indiscretions, but was later reinstated by a Tagore-controlled vote of the shareholders. In May 1839 one of the Indian clerks informed Dwarkanath that Sim had doctored the accounts and had embezzled Rs. 1,20,600 from the bank. Dwarkanath conferred with William Carr, Longueville Clarke, and the chairman, James Cullen, and pledged to make up the difference if the affair were kept secret. Though Sim's embezzlement became public knowledge, Dwarkanath paid the difference and saved the bank from a run by panic-stricken depositors. 25

To restrict Tagore's power, the dissident shareholders called for a special meeting to consider the acceptance of proxy votes. Thirty percent of the shareholders representing 40 percent of the votes were nonresident in Calcutta, and the acceptance of proxies would have radically altered the balance of power within the proprietorship (See

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23Bengal Hurkaru, 11 July 1839.
24See Bengal and Agra Annual Directories for various years, 1834 through 1847.
25Bengal Hurkaru, 7 Aug. 1840.
Tagore rallied his forces and, by a wide margin, defeated the motion to accept proxies.

The disgruntled shareholders then moved to attack Dwarkanath through his friend, George James Gordon. Under Dwarkanath's influence, Gordon had been appointed to succeed James Young as secretary of the bank in 1840. He had been a partner of Mackintosh and Company, and, after a sojourn in England, had returned to Calcutta "in painful circumstances." He needed the lucrative appointment to help recoup financial losses incurred in the crash of 1830-33. Dwarkanath had carried a motion to raise his salary from Rs. 1,600 to Rs. 2,000 per month, and the dissident shareholders now called for a special meeting to consider the raise. Once again, however, they lost the vote.

Although the decisions to increase the bank's capital and to enter the bill business were openly debated by the proprietors, the decision to support indigo production was made in camera. The directors began by establishing a "new class of cash credit accounts" which, in effect, gave unlimited credit to the indigo-producing agency houses. The first intimation that this new business had been undertaken was made in a report by the directors at the meeting of 18 July 1840. Without consulting the shareholders, the directors had begun to lend money to agency houses on deposit of title deeds to indigo factories, equipment, and lands as well as on assignment of the annual produce. At the same time, the bank adopted the system prevailing in Scotland of establishing cash credits on the personal security of the borrower along with some collateral security. Unlike the Scottish system, however, money was drawn as needed and repaid as it became available. This violated the deed of the Union Bank, which prohibited loans for over four months, but it was circumvented by permitting the borrower to pay interest every three months and to renew the loan.

In 1842 a commercial crisis brought down a number of firms that, under the new system, were heavily indebted to the Union Bank: Gilmore and Company, Fergusson Brothers, Boyd and Company, McLeod Fagan and Company, Bruce Shand and Company, and Cantor Low. When a group of shareholders called on the secretary for an account of the bank's losses, Gordon denied that the bank had lost

26 Ibid., 29 Jan. 1840.
27 Ibid., 16 and 29 Jan. 1840.
28 Ibid., 20 July 1840.
much, if anything, by the failures and for a year continued to hold off their questions with vague statements. The truth about the bank's leading debtor finally came to light in March 1843 when a committee of shareholders reported that the bank had lost Rs. 4,79,663 on loans to Gilmore and Company. Most of this loss had been caused by the carelessness or collusion of George James Gordon. In February 1840, Gilmore had borrowed Rs. 2,71,095 from the bank on the collateral of deeds to the Naraincoory Colliery and coal stored in depots. When Gilmore failed, ownership of the mine was assumed by a group of assignees. For an unexplained reason, Gordon handed over to William S. Smith, a member of Gilmore and Company and a director of the Union Bank, the title deeds kept by the bank, and Smith in turn gave these to the assignees, leaving the bank without collateral. The remainder of the money had been loaned to Gilmore on goods such as cotton bales, indigo, copper, and sugar deposited by the firm in a private godown. Not only did the firm place a false value on the goods, but after their failure permitted other creditors to remove goods from the godowns.

Suspicious that Gordon and the directors were misleading them, a group of shareholders, consisting of small merchants and professionals, vigorously tried to reform the operation of the Union Bank. Had they succeeded, the bank might have survived the crisis of 1847, but their efforts were defeated by the partners of the big houses and a few of the leading attorneys, led by Dwarkanath Tagore. The dissidents called for an end to "cliquism" in the directorate, the dismissal of Gordon, the cessation of loans on indigo crops, and the appointment of independent auditors. "It was considered," said Patrick O'Hanlon, one of the leaders of the group, "that the fittest persons to manage the affairs of the Bank were those who had been able most successfully to appropriate its funds."

At a special meeting called on 30 July 1842, the dissident

29Ibid., 17 Jan. 1842.
30Ibid., 13 Mar. 1843.
31Ibid., 21 Jan. 1843; Cooke, Banking in India, pp. 187 ff.
32Bengal Hurkaru, 24 and 26 Jan. 1843.
33Ibid., 13 Mar. and 18 July 1843.
35Patrick O'Hanlon, Mr. O'Hanlon's Remarks on Mr. G.J. Gordon's Publication (Alipore: March 1843).
shareholders attempted to infuse new blood into the directorate. R.J. Lattey pointed out that partners of Gilmore had served on the directorate over a period of years during which their firm was failing, and that out of delicacy the other directors had never denied Gilmore accommodations. P. O’Hanlon and T.C. Morton proposed that partners of a retiring director should be ineligible for election for one year following their partner’s retirement. D.M. Gordon of Carr, Tagore and Company, who had succeeded Dwarkanath on the directorate in January 1842, spoke against the motion, but T.E.M. Turton, who had supported the big houses in previous years, now turned against them and added his voice to the fight against cliquism. Perhaps he was piqued by the desertion of many of his friends from the ranks of the “Precursors” to those of the “Comprehensives” in the maneuvers for a steamship link with Britain. Despite the justice of their cause, the reformers lost the vote 161 to 344.36

A few months later, O’Hanlon launched a personal attack on G.J. Gordon as well as Dwarkanath Tagore, who, he claimed, supported Gordon with the authority of 700 shares.37 Dwarkanath, recently returned from his first trip to Europe, and at the height of his influence in the bank, spoke in both his own and Gordon’s defense. As “perhaps” the largest shareholder himself and responsible for shares belonging to friends and relatives, he argued, it would hardly be in his interest willfully to neglect the interests of the shareholders at large. He pointed out that although the bank had lost money on goods fraudulently removed from private godowns, the additional 2 percent charged on the shortage of unbonded goods had made up for much of this loss. In a slap at the prevailing mores, Dwarkanath related the story of how the bank’s Indian watchman, who had dared to try to prevent a European from making off with some goods, had been kicked by the man and later reprimanded by his own employers for his impertinence. Finally, he said, Gordon had tried time after time to convince the directors that they should institute better security, but had failed.38

O’Hanlon was not convinced, and, when the shareholders met a

36Bengal Hurkaru, 30 July and 1 Aug. 1842.
37O’Hanlon held a long-standing grudge against Gordon stemming from a dispute between O’Hanlon and Mackintosh and Company over a debt. See Mr. O’Hanlon’s Remarks.
38Bengal Hurkaru, 13 Mar. 1843.
few months later, observed that the directors were “going on without reform and without restoring the confidence of the public, and that it was Dwarkanath’s fault.” Dwarkanath, according to the report, rose with “more than usual warmth of manner” to repudiate “the insinuation made against him.” He again claimed that the bank’s interests were identical to his own and reminded the shareholders how he had intervened to save them in 1842 when its bills had been dishonored by Coutts and Company in London. “However wrong he might have sometimes been in his judgement... he did claim credit for honesty and singleness of purpose.” He denied that the directors of the bank had absorbed all the bank’s money and said that after investigation he had found that “not one-third of the loans were given to the directors.” 39

As the number of shareholders in opposition grew, however, the directors were forced to make some token concessions. In place of the independent auditors that had been requested, the directors appointed a Committee of Finance and Accounts consisting of Dwarkanath Tagore, A.J. de H. Larpent of Cockerell and Company, James P. McKilligan of Colville, Gilmore and Company, and W.P. Grant, all of whom were heavily indebted to the bank. 40 The directors also agreed to limit advances on indigo crops to a total of 25 lakhs per season, to reject requests for renewals of short term loans, and to liquidate outstanding loans, amounting to Rs. 62,40,260, on indigo factories and sugar works. They even agreed to coopt on the directorate a representative of the dissidents, the Reverend W. Morton, who now became “a sheep among wolves.” 41 Finally, the most popular reform measure was the dismissal of G.J. Gordon as secretary.

Gordon’s last report, made at the meeting in July 1843, indicated that losses on the accounts of defaulting houses had been greater than anyone had anticipated. This was largely because almost all the collateral was in the form of indigo or indigo factories, which had declined in value as a result of the low price of indigo on international markets. Later it was disclosed that altogether the bank had Rs. 61,75,231 tied up in loans on indigo factories and sugar works. This included about 20 lakhs in claims on Gilmore and Fergusson for old advances, 36 lakhs in current advances to leading

39 Ibid., 17 July 1843.
40 Ibid., 31 July 1843.
41 Ibid., 17 July 1843.
houses and 7 lakhs in outlays to factories acquired by the bank itself through default. In addition, Rs. 14,18,676 were sunk in loans on goods in possession of the bank and Rs. 17,62,582 in private bills discounted. Thus Rs. 93,56,489 out of the bank’s capital of Rs. 1,00,00,000 was out on loan. Although some of these loans should have been written off as losses, all of them were still carried on the books as assets in possession of the bank. In 1843-44, another 21 lakhs, half that of the previous year, had been loaned out to seven large indigo-exporting houses for the current season. Furthermore, the exchange business was being conducted with bills largely hypothecated to indigo consigned to London. In short, the bank was no longer a general commercial bank, but had become simply a giant satellite of the indigo-exporting agency houses. The only useful role it performed in the 1843-44 period was to finance the organization of the Bengal Coal Company, a transaction on which it lost no money. Despite the bad debts, Gordon reported a “profit” of Rs. 7,85,730 on current operations and declared a dividend of 8 percent. In fact, the dividend was taken not from profits, not even from paid-up capital, long since loaned out, but from the floating deposits.42

Gordon’s successor was James Calder Stewart, who, like Gordon, had once been a partner in Mackintosh and Company. Stewart had been a director of the Union Bank in 1831-33 and recently had served under Gordon as deputy secretary. A much better accountant than Gordon, he was more reserved, less gregarious, and better suited to the role of watchdog over the directors. His failings were timidity and misplaced loyalty. What he saw during his tenure as secretary, from December 1843 to the end of 1846, he kept to himself rather than taking it before the shareholders. It was not ordinary carelessness or poor judgment alone that he withheld from the public, but embezzlement and dishonesty.

The beginning of his tenure brought a marked increase in public confidence in the Union Bank. The press hailed his first report, and the shareholders expressed their gratitude for receiving, at last, what appeared to be a candid and full accounting. Shares rose to Rs. 280 premium. Stewart reported in January 1844 that the total losses on insolvent estates had been ten lakhs, but that the reserve fund

contained about 2 lakhs, giving the bank a deficit of 8 lakhs, less than the annual average profit of 8 percent. No loans for indigo cultivation had been made for the current season except to carry on the bank's own properties, and, in the course of the year, outstanding loans on the security of indigo had been reduced from 62 to 27 lakhs. Although an "unprecedented influx of capital" into Calcutta had resulted in reduced interest rates and competition for bills, which made the bank's exchange business less profitable, he reported that 114 lakhs were employed in a profitable manner on valid security and in the course of early return. R.J. Lattey, who boasted that he had been the first shareholder ever to question a report, congratulated the directors on their statement. He was seconded by James Hume. The one ominous note was a report by W.P. Grant that negotiations with the government to permit civil servants to serve on the board of directors had failed. 43

Throughout 1844 and, in fact, until the end of 1846, an aura of confidence prevailed, but there were occasional hints of subterfuge that could have been pursued. The Friend of India, for example, after praising the report of July 1844, made note of a few suspicious items. One was that some nine lakhs carried in January as a balance due from Fergusson and Company had been transferred to a heading listing properties owned by the bank. Another was that private acceptances had increased from 19 to 55 lakhs over the year, and the editor expressed the hope that these loans had been made on good collateral for legitimate commerce, and not for indigo speculation. 44

Distribution of dividends was another problem that proprietors and directors alike treated by hiding their heads in the sand. Considering the losses of 1842 and the need to build up a reserve fund, the shareholders should have been willing to forgo dividends, but in 1844 and 1845 the directors recommended dividends of 7 percent. The directors were caught in a dilemma: if they reduced dividends, the shareholders might respond by selling out. For example, Holludhar Mullick threatened that if the bank were to cut its rate of interest, he and many of his countrymen who held Union Bank shares would sell out and invest their money in landed property, "which is very certain of giving a higher rate of interest without so much risk!" 45

43 Bengal Hurkaru, 22 Jan. 1844
44 Friend of India, 18 July 1844, quoted in Bengal Hurkaru, 19 July 1844.
By 1845, Dwarkanath Tagore had sold most of his Union Bank shares. Perhaps he realized that he and his accomplices on the directorate had gone too far and that he alone could not reverse the bank’s slide into disaster. More likely, he was concerned about his mortality and gradually converting his commercial holdings into zamindaris to be held in trust for his sons. Finally, he needed cash for his second trip to England. At the January 1845 meeting the Reverend Morton congratulated Dwarkanath on recovering from his “late serious illness” and added, “in reference to that gentleman’s acknowledged greatness as a commercial man, that whatever might have been his former position in the Union Bank, he was, at present, by no means the great Leviathan he had been; that he was not now a greater Shareholder than many other persons, and that if he and all ‘his tail’ were to quit tomorrow, the loss would not be much, if at all, felt by the bank.” 46 Dwarkanath did not live to see the final tragic outcome of his policies.

2. The Grant Era

The leading power in the bank was now William Patrick Grant, master in equity of the Calcutta Supreme Court, who held the chairmanship of the bank’s finance committee. 47 Grant was heavily involved with Cockerell and Company; the second member of the committee, John Beckwith, was a partner in Cockerell and Company and the third, W.F. Gilmore, a partner of Colville, Gilmore and Company. The other directors represented, as usual, houses most heavily in debt to the bank, and helped one another obtain loans on questionable security. While the directors continued to issue optimistic reports, the secretary, J.C. Stewart, struggled behind the scenes to restrain them. When he complained to Grant that four agency houses engrossed two-thirds of the bank’s capital, and presented the finance committee with a list of reforms, Grant wrote him to “think them over before you stir matters which are somewhat of a gunpowdery nature.” 48 Stewart, in desperation, quietly tried to enlist the help of

46Bengal Hurkaru, 20 Jan. 1845.
47Grant held the high-ranking post of Master in Equity of the Calcutta Supreme Court, which paid him the handsome salary of Rs. 4,000 per month. His father was Sir John Peter Grant (1774–1848), Puisne Judge of the Calcutta Supreme Court; and his brother, John Peter Grant (1807–93), was a rapidly rising civil servant of great ability who later served as Lt. Governor of Bengal in 1859–62 and as Governor of Jamaica in 1866–73.
48Stewart, Facts and Documents, pp. 54 ff.
prominent local shareholders and to arouse the shareholders in England, but without success.

From the official reports issued by the directors it appeared that the bank was gradually divesting itself of the indigo factories it had assumed on mortgage and reducing its loans to agency houses for indigo cultivation. The number of concerns owned outright by the bank dropped from eleven in 1844 to four in 1846, and the amount advanced to keep these four concerns in operation dropped from almost 8 lakhs to a little over 4 lakhs. Loans to agency houses for indigo cultivation declined from 26 lakhs in 1844-45 to 14 lakhs in 1845-46. But, in fact, the bank continued to increase its support for indigo cultivation, and in the annual reports the directors disguised indigo loans under euphemistic headings (see Table 12). “Private bills discounted” and “loans on personal security,” renewable indefinitely, were loans to agency houses for seasonal indigo advances. “Loans on bullion, Government paper and joint stock shares” were almost all made on joint-stock shares, the bulk of which were shares in the Union Bank itself. Finally, “post bills” were renewable short-term loans issued without collateral. Almost every rupee loaned by the bank eventually found its way to an indigo plantation.

<table>
<thead>
<tr>
<th>Table 12. Disguised Indigo Loans by the Union Bank, 1846-47</th>
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<tr>
<td></td>
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<tr>
<td></td>
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<tr>
<td>Private bills discounted</td>
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<tr>
<td>Loans on personal security</td>
</tr>
<tr>
<td>Loans on bullion, government paper, and joint-stock shares</td>
</tr>
<tr>
<td>Post bills</td>
</tr>
</tbody>
</table>

Behind this policy was the increasingly desperate situation of the great indigo houses. Indigo prices had been declining since 1840. The more they declined, the more capital had to be borrowed to keep them in operation; the more capital borrowed, the more indigo had to be contracted for—thus flooding the market and keeping marginal concerns in operation. The Union Bank had to participate in this

49 Ibid., pp. 74-75.
charade because, in order to have any chance of recovering its debts, it had to keep factories operating, even at a loss. All of this was done to preserve the partners of the indigo houses from facing eventual but certain bankruptcy.  

Covert support for indigo production was not the only way in which the directors misused the bank’s money. On grounds of facilitating resale of the largest indigo concern, the Big Union, the bank spent 18 lakhs to convert a second mortgage on the concern for 1½ lakhs in cash and took a new mortgage on the balance. Not only had it quadrupled its equity in a losing property, but it was now responsible for an annual outlay of over 2 lakhs to keep the concern in production.

At the end of 1846, Stewart decided that continued opposition from within was futile and resigned his position. Reasoning that it was too late for reform and that exposure of the bank’s management would only lead to panic, he failed to take the case to the public. Nevertheless, his resignation aroused suspicion, and at the meeting of January 1847 the shareholders, led by Turton, subjected Grant to a series of hostile questions. He held off the attack with denials and lies, but by the next meeting, in July, the merchants of Calcutta had become increasingly alarmed by news of a widespread commercial crisis developing in Britain and demanded a full accounting. In their report the directors alluded to the “pressure of the money market” and the consequent withdrawal of large amounts of deposits. Miraculously, however, they announced that the bank had earned a net profit of Rs. 5,13,895 and recommended a dividend of 7 percent, again concealing the fact that it would be paid out of deposits. Nevertheless, all remaining confidence had evaporated, and, when Turton demanded a special meeting in August to hear a detailed report on the bank’s position, he received the unanimous support of the shareholders. The August meeting produced only a half-truth—an admission that the bank had lost Rs. 24,47,852 on the production of indigo.

52Cooke, Banking in India, p. 199.
53Bengal Hurkuru, 16 Jan. and 15 July 1847.
54Ibid., 18 Jan. 1847.
55Ibid., 15 July 1847.
56Ibid., 19 July and 30 Aug. 1847.
By that autumn, Britain was in the throes of a full-scale commercial crisis. The railway mania of 1845 had absorbed floating capital needed for commercial purposes into fixed, long-term investments. When the Irish potato crop failed in 1846, large wheat imports were required, and a deficiency in the American cotton crop raised the price of that commodity. Commercial money was in short supply, interest rates were high, and the Bank of England’s reserves fell dangerously low. During the period of tight credit and high interest rates, British grain speculators had contracted for wheat at high prices, but in July 1847 a bumper crop of cheap wheat arrived and the speculators went broke. In August 1847, nineteen corn importers suspended business. Because they were linked to other kinds of mercantile houses, bills were dishonored right and left, and the disaster spread. In September, two of the largest London East India houses, Cockerell and Company and Lyall Brothers, were among the thirty-seven firms that fell. Both were closely connected with Calcutta houses deeply in debt to the Union Bank. By November, failures spread to Calcutta, where sixteen agency houses suspended operation.57 "This week," wrote the editor of the Bengal Hurkaru at the end of November, "has been an eventful one—long to be remembered in the commercial history of this city." Credit and confidence had disappeared, business was reduced to cash transactions, no acceptances were discountable in the bazaar, and even the shroffs were in trouble. Trade was depressed. Sugar, rice, and silk were hardly purchased at all, opium was lower than ever, and, though jute remained in demand, indigo had dropped Rs. 18 per maund from the previous year. Union Bank shares had fallen to Rs. 200–250 per share.58

In October Glyn, Halifax, Mills and Company refused to honor Union Bank drafts, and the London shareholders called an emergency meeting. Present were many who had been Dwarkanath’s friends, including H.M. Parker, William Prinsep, James Young, and John Carr. They called for drastic reforms and reorganization of the bank’s management, but it was much too late.59 On December 18 the Calcutta shareholders held a special meeting to hear a report on the effects of the recent failures. Grant reported that the bank had

58 Bengal Hurkaru, 27 Nov. 1847.
59 Ibid., 9 Dec. 1847.
lost Rs. 17,28,500 by the failure of Cockerell and Company and Rs. 89,000 by that of Lyall, Matheson. In addition, because of the failure of houses in London, unredeemed bills amounting to Rs. 18,50,000 would be returned to the bank. Of these, only Rs. 4,50,000 were secured. Finally, Cockerell, Larpent of London had misappropriated post bills for which the Union Bank would have to provide Rs. 4,50,000. The directors promised a full report in the following month and announced that they expected to keep the bank operating on a reduced capital.

The shareholders demanded more information: How many post bills had been issued? How had Cockerell, Larpent “misappropriated” post bills? Why had the bank continued to acquire indigo factories after promising to get rid of those it had? Grant, attempting to shift the blame to the directors of the pre-1842 period, claimed that he had always opposed advances to indigo factories, but “when they were made, there had been a large majority in the Direction, of a different opinion.” One of Grant’s supporters was more explicit: “There was a large party in the Direction in those days, who did exactly what they chose. They composed Dwarkanath Tagore’s tail, and out-voted everybody else.” Among the shareholders, Jeremiah Horsby refused to accept the excuse and angrily pointed out that Grant had greatly expanded advances to indigo planters by the issuance of post bills. While the Englishman now admitted that the Union Bank was insolvent, the Bengal Hurkaru argued that the bank still owned some of the best indigo factories in Lower Bengal and that indigo was selling at a reasonable price of Rs. 120 to 130 per maund.60

By the next meeting, on December 31, Grant admitted that, with one-half of the lands usually under indigo out of production, the indigo factories were less of an asset than previously reported. Turton moved to send 22,282 maunds of indigo held by the bank to London at once for sale, but Longueville Clarke asked who among the directors could be trusted with the indigo and pointed out that it would immediately be seized by Glyn and Company. When Turton’s motion carried against Clarke’s arguments, one shareholder was heard to remark, “so much for Dwarkanath’s tail.”61

Gradually the knavery of W.P. Grant was coming to light. At the next meeting, on January 10, Grant revealed under Longueville

60 Ibid., 21, 23, and 25 Dec. 1847.
61 Ibid., 1 Jan. 1848.
Clark's aggressive questioning what he had meant by the "misappropriation" of post bills by Cockerell, Larpent and Company. In the previous June, Grant, to raise money to pay his own debts, had drawn £40,000 against Cockerell, Larpent and Company and to get immediate acceptance had sent Cockerell, Larpent an equivalent amount in Union Bank post bills as collateral security. He then sent the bills drawn on Cockerell, Larpent to two Calcutta houses, Jardine Skinner and Company and Kelsalls and Company and again, as security, deposited with them 4½ lakhs of Union Bank post bills. In London, Cockerell, Larpent, in desperate straits itself, cashed in the post bills; and when its own bills were dishonored in Calcutta, the two Calcutta firms cashed in their post bills. Thus, to enable Grant to obtain 4 lakhs for his personal use, the Union Bank had become liable for 9 lakhs of post bills. When one proprietor said he presumed that Grant was personally liable for the amount, Grant replied that he "could not see why the proprietors would be so perverse. Nobody here was to blame. It was the fault alone of the house in London which had misappropriated the bills."

Further investigation now unmasked another case of misconduct, the existence of a secret "shares club." Eight proprietors—Manikjee Rustomjee, John Storm, W.R. Lackersteen, Radamadub Bannerjee, W.P. Grant, Rustomjee Cowasjee, John Lyall, and T. Holroyd—had formed a club in the fall of 1846 to support share prices by purchasing them with the bank's own capital. Grant opened for each member a credit line of four lakhs, on which the member could borrow up to Rs. 1,000 per share. Only Radamadub Bannerjee paid cash for his shares; the others used promissory notes issued by the bank, and drew 15 lakhs from the account.

A third scandal involved the Commercial Bank of Bombay. On 2 November 1847, Abbott, the new secretary, received a request from the Commercial Bank to purchase Bank of Bengal notes for cash. Abbott in turn asked J.S.B. Scott of Hickey, Bailey and Company, the broker in these notes, to arrange the purchase. But on December 13, Scott, with the knowledge of Abbott and some of the directors, misappropriated the money to pay off debts owed the Union Bank by Hickey, Bailey. 65

62 Ibid., 11 Jan. 1848; Evans, Commercial Crisis, pp. xix–xxi.
63 Stewart, Facts and Documents.
64 Bengal Hurkaru, 29 July and 25 Aug. 1848.
65 Ibid., 17 Jan., 29 May, 26 June, and 31 July 1848.
At last, on January 15, 1846, the proprietors voted to suspend all proceedings of the Union Bank. The suspension was forced when one of the creditors objected to the directors’ paying off a debt of 14 lakhs to Jardine, Skinner and Company. Because of this undue preference the creditor called for a meeting of creditors, and T.E.M. Turton, who was now managing the bank, proposed that a committee of shareholders be appointed to wind up the affairs of the bank and meet with all the creditors. Among those nominated to serve on the committee Turton named James Stuart. This was objected to, not on grounds of any deficiency of ability or integrity, but because Stuart had belonged to Carr, Tagore and Company, a firm deeply in debt to the bank. Turton objected that to eliminate Stuart, and another debtor, W.F. Fergusson, would be to strike “out the brains of the committee. . . . There were no better men in Calcutta than Messrs. Stuart and Fergusson, and as to Carr, Tagore and Company’s account, he wished all the debts due to the bank were as good.” The proprietors accepted Turton’s slate and elected a committee consisting of H.M. Elliot, T.C. Morton, Fergusson, J.C. Stewart, and James Stuart. 66

On January 22 the committee reported that the bank was insolvent: its assets were Rs. 61,07,999 and liabilities Rs. 68,82,610. Although indigo properties owned by the bank had a book value of 23 lakhs, this amount could be realized only if the properties were sold off gradually. In addition, the bank also owned about rupees ten lakhs of indigo in storage and about five lakhs of joint-stock shares, two-fifths of which were shares in the Bengal Indigo Company. The committee valued at 14 lakhs private bills discounted and loans on personal security that stood in the books at 38 lakhs. Among the bank’s largest liabilities were 24 lakhs of post bills and 29 lakhs of returned and dishonored bills. The committee recommended, first, an immediate assessment of Rs. 200 per share from each proprietor to meet the bank’s debts, and, second, the appointment of a committee to assess each shareholder for additional money to cover the balance of the debts. The new committee would ask for the cooperation of the creditors to exempt individuals who paid their assessments from being sued in court. 67

66 Ibid., 22 Jan. 1848. Elliot was Foreign Secretary to the Government of India and co-author of The History of India as Told by its own Historians.
67 Bengal Hurkaru, 22 Jan. 1848.
At the stormy January 22 meeting, all the frustrations and passions of the mercantile community came to the surface. Discussion of the report opened with an acrimonious debate between Stewart and Grant in which each thrust by Stewart against Grant brought cheers from the floor. In the course of the debate Stewart mentioned that one director had "put his hand in the till" and another "made an unsuccessful attempt." When asked for the names of these directors, Stewart replied that, soon after his appointment, W.P. Grant and Dwarkanath Tagore had gone to the cash department and had, without his knowledge, discounted a bill for Rs. 5,000 previously declined by the other directors. James Stuart leapt to his feet and asked for more particulars: "The aspersion cast is of as grave a character as it can be." D.M. Gordon then joined the debate. "As the name of Dwarkanath Tagore has been mentioned in connection with this transaction, I reluctantly come forward to explain to the meeting, more in detail than has been done, the circumstances under which it took place." He produced the bill and read that it had been drawn by Joynarian Mookerjee and sent to the Union Bank for discount. When two of the directors refused to purchase it, Joynarian went to Dwarkanath who found that a bill for Rs. 3,000 was due to Joynarian. In addition, Joynarian, a man of wealth and influence, had recently appointed Dwarkanath trustee for a fund of Rs. 3,00,000. Finally, Gordon pointed out, Ramanath Tagore, the treasurer, did not pay out any money until he had received approval from J.C. Stewart. Stewart, now on the defensive, denied that he had meant to imply dishonesty, but had wanted only to illustrate the general laxity prevailing at the time. After a number of speakers testified to the integrity and honesty of Ramanath Tagore, the arid discussion ended. No doubt Dwarkanath had been guilty of running the bank as if it were his personal business, and in their desperation the proprietors would sooner or later have conjured up his name. More striking, however, was the demonstration of loyalty by James Stuart and D.M. Gordon toward their dead partner and his family. Loyalty among ex-partners was a rare sentiment in Calcutta, especially among those whose firms were in liquidation. 68

With illusions of solvency finally laid to rest, the 500 proprietors of the Union Bank now faced eight months of terror. A few years before, in November 1845, the Union Bank had received a concession of

68 Ibid., 24 Jan. 1848.
dubious value from the government. Under Act 23 of 1845 the bank could sue and be sued in the name of its secretary or treasurer. Though far from the desirable charter of limited liability, it was a belated recognition of the bank's corporality. It permitted the bank to realize some heavy outstanding claims that had been uncollectible because under the law of partnership all of the shareholders would have been required to file separately as plaintiffs in any lawsuit. As long as the bank was the creditor it worked to the bank's advantage; but if the bank were the debtor, the result could be disastrous. Previously any creditor of the bank would have been obliged to sue each partner separately, and, if the creditor won his case, each partner would be equally liable. The creditor could not single out any individual proprietor for prosecution. Now a creditor could sue the bank in the name of its secretary, and if he won, and the partnership did not have the funds, the execution could be issued against individual proprietors seriatim. A rich proprietor who had only one share could be made liable for the entire debt of the bank, and his only recourse for the return of his money would be to sue each of his fellow proprietors singly in equity.69

There was no escaping the law. Even shareholders who had sold out before the crash were liable, though their liability was secondary. The creditors met with T.C. Morton, who had assumed management of the bank's liquidation, and most, but not all, agreed not to sue any shareholder who paid the sum assessed him by a joint committee of creditors and proprietors. On this basis the creditors' committee agreed temporarily to postpone suits, but never bound themselves legally not to sue any particular shareholder, especially one who was backward in paying his assessment.70

Each month brought more bad news. Court decisions confirmed the validity of the bank's debts, including post bills issued secretly and fraudulently by W.P. Grant, and upheld the responsibility of the shareholders to pay every last rupee of debt unless the creditors agreed to compromise.71 In the spring of 1848, the Union Bank still had a chance for survival and even rebirth. Its indigo holdings were substantial and would regain their value when the crisis had passed. If the small proprietors had paid their assessments and the wealthy ones had combined to underwrite the bank's current deficits, the

69 Ibid., 28 Nov. and 18 Dec. 1845.
70 Ibid., 31 Jan., 28 Feb., 1 and 8 May, 2 June, and 31 July 1848.
71 Ibid., 25 Mar. 1848.
debts could have been paid off. As it was, few would cooperate, and under pressure, especially from Glyn, Halifax, Mills and Company of London, the sheriff was forced to seize the bank’s assets and sell them at auction for a fraction of their value, often for one anna on the rupee, wiping out real along with imaginary assets. 72

The committee appointed to carry out the unpopular task of assigning the assessment due from each shareholder could do no right, and the newspapers were filled with examples of gross injustice. Some men lost all their savings whereas others, often more culpable, got off lightly. Altogether 474 shareholders (83 Indians and 391 Europeans) were assessed. 73 An incomplete list of shareholders and assessments, published on September 20, 1848, is shown in Table 13. 74

Table 13. Incomplete List of Union Bank Shareholders, September 20, 1848

<table>
<thead>
<tr>
<th>Indian</th>
<th>European</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>80 (83)</td>
<td>353 (391)</td>
</tr>
<tr>
<td>Amount assessed</td>
<td>Rs. 13,10,000</td>
<td>Rs. 38,93,700</td>
</tr>
<tr>
<td>Average assessment</td>
<td>Rs. 16,375</td>
<td>Rs. 11,030</td>
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Twenty-seven of the shareholders were assessed Rs. 50,000 or more, and of these, 23 were Europeans and 4 Indians. Those assessed a lakh or more are listed in Table 14. By June 1849, 23 of the 83 Indians (28 percent) and 148 of the 391 Europeans (38 percent) had paid their assessments. 75

Table 14. Union Bank Shareholders Assessed a Lakh or More, September 20, 1848

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Assessment (rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashutosh Day</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Promothanath Day</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Rajah Nrisingchundra Roy</td>
<td>1,50,000</td>
</tr>
<tr>
<td>James Hastic</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Joseph Willis</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

72 Ibid., 1 May, 9 June, and 22 July 1848; 5 Mar. 1852.
73 Ibid., 21 and 23 Sept. 1848; 8 June 1849.
74 Ibid., 20 Sept. 1848.
75 Ibid., 26 June 1849. The Tagores listed were assessed as follows:
<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Assessment (rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saindranath</td>
<td>Rs. 3,000</td>
</tr>
<tr>
<td>Prasanna Kumar</td>
<td>40,000</td>
</tr>
<tr>
<td>Ramanath</td>
<td>20,000</td>
</tr>
</tbody>
</table>
The assessments against the Day brothers were the most controversial and gave rise to bitter racial feelings. Ashutosh and Promothanath Day, the sons of the Bengali millionaire baniān Ram dulal Day, who had died in 1825, were reputed to be the wealthiest men in Calcutta. Together they owned a mere thirteen shares of Union Bank stock⁷⁶ which they had sold on 19 November 1847, the day after the failure of Cockerell, Larpent and Company. But in those turbulent final months the sale went unregistered, and they were still included in the list of shareholders. The Day brothers took their case to court, and it was ruled that legally they were still shareholders.⁷⁷ They tried in every way possible to evade liability for debts they had had no part in incurring and were especially angry when the executive committee of the bank in liquidation delayed publishing the names of those who owed the bank money—men like W.P. Grant, A.J. de H. Larpent, and the Tagores.⁷⁸ It was only at the meeting of April 29 that the shareholders instructed the committee to publish the names of debtors.⁷⁹

Until the Commercial Bank of Bombay brought suit against them along with two other wealthy proprietors, Nursingchundra Roy and Joseph Willis, the Days refused to pay any contribution. When legal proceedings began on May 16, the Days attempted to transfer many of their properties to their wives.⁸⁰ After six months of trial, the case was compromised, and the Days agreed to pay their six-lakh assessment on condition that two lakhs be reserved for the Commercial Bank of Bombay. Nursingchundra Roy also agreed to pay his assessment, but Willis continued to litigate.⁸¹ The Bengal Hurkaru lamented that if the Days had only paid up at once many of the assets of the bank could have been saved, but the Englishman disagreed and wondered if the entire assessment scheme was not a gigantic plot by the directors to force the Days to bail them out.⁸²

Mothonar Nath
Gopilal

Bengal Hurkaru, 20 Sept. 1848. The Bengal Hurkaru of 1 Jan. 1849 lists Dwarkanath, Debendranath, and Girindranath as having paid their full assessments, but no figures are given. This would explain the absence of the three Indian names from the September 20 list in the Bengal Hurkaru.

⁷⁶Ibid., 28 Aug. 1848.
⁷⁷Ibid., 15 Apr. 1848.
⁷⁸Ibid., 27 Mar. 1848.
⁷⁹Ibid., 29 Apr. 1848.
⁸⁰Ibid., 16 May and 6 Nov. 1848.
⁸¹Ibid., 4 and 11 Nov., 2 and 8 Dec. 1848.
⁸²Englishman, 15 Nov. 1848, quoted in Bengal Hurkaru, 16 Nov. 1848.
THE FALL OF THE UNION BANK

To the Indian community, the Day case had the appearance of their own countrymen taking the consequences for European duplicity. A Bengali vernacular newspaper editorialized:

The Supreme Court, the Bengal Secretariat, and the Tax Office are in downright ferment. We hear of defalcation to the amount of two, three, four and even twelve lacs of rupees in different offices; and yet, strange to say, the sahebs in charge of these establishments suffer nothing from the circumstances. Had a Bengali been implicated in the matter, we would have had packs of police sergeants pursuing the supposed culprit and dragging him from the zenana to a criminal jail by way of a prologue to something still more fearful; we would have also had wholesale libels against Natives in general from all Christian quarters, the real saheb and the would be ones exulting by joining in the same chorus. “Bengali lag bura chor, fanci ho ne se acha hota.”

The Bengal Hurkaru itself warned that unless a law of limited liability were passed, Indians would never again buy shares in joint-stock companies.

As to the natives, who it is so desirable to see becoming members of Joint Stock Companies, the Union Bank affair has given a death blow to their confidence in any such associations. We have heard several highly respectable natives declare that nothing would induce them to take shares in any of them and that such was the general feeling among their countrymen. Who can be surprised at such a result? No power of logic will ever persuade a native that there is any justice in a law, which, as if the loss of the capital vested by him in a Bank were not sufficient, makes him liable also for an enormous amount of debts contracted without his knowledge and in violation of every principle and role of the association.

As the closing days of the liquidation process approached, Ashutosh Day wrote to T.C. Morton, chairman of the Union Bank, that since he and his brother, who had died on December 27, had contributed so much to the assessment fund, he wanted to know how the money had been disbursed. He “hoped the meeting would consider it due to him and the native community at large that the accounts should be fully and completely audited from the beginning, including the whole of the receipts, whether from assets or assessments, as well as payments of every description.” J.S. Judge,

83“The Bengali is a great thief; even the threat of hanging does not deter him.” Editorial in Gyan Darpan, 11 Mar. 1848, quoted in Bengal Hurkaru, 16 Mar. 1848
84Bengal Hurkaru, 28 Aug. 1848. In 1849 a group of Indians backed by the Maharaja of Burdwan projected a new bank in Burdwan from whose management all “Christian agency” would be excluded. Ibid, 30 Mar. 1849.
Dwarkanath’s old attorney, rose to the defence of Morton and asked, “Who saved us? Was it a gentleman who then went about saying that he had nothing, that he was ready to go through the insolvent court, but neither creditors nor executive committee should get anything out of him?” No, it was Morton, Judge claimed, who had tried in vain to persuade the shareholders to unite and purchase claims on the bank. Morton, to the annoyance of the creditors, had purchased whatever claims he could at auction and salvaged some of the assets, but he could have saved much more if larger resources had been at his disposal.\(^{85}\)

Sheriff Hogg held four auction sales and realized about ten of the forty lakhs of assets placed at auction.\(^{86}\) At the first sale, in June 1848, there were few serious bids because of fear that titles to property would be challenged. The Union Bank building on Tank Square, valued at Rs. 60,000, went for Rs. 4,000; the indigo factories for less than one-tenth their cost; a claim of Rs. 6,60,000 on Gilmore and Company was sold for Rs. 1,700 and one of Rs. 1,76,378 against Fergusson Brothers for Rs. 220. On July 22 the sheriff sold Rs. 27,00,000 of debts due to the bank for Rs. 1,60,000.\(^{87}\)

Of the total Rs. 1,29,12,108 claimed upon estates by the Union Bank, that upon Carr, Tagore and Company was Rs. 18,00,000. The 18 lakhs were secured as follows:

1. Indigo factories: Decracole and Soojanuggur, Hatoory and Noadah—Bunbar—Moisdah—Hyrampore, Hurrindah and Bispore. These factories were being carried on by third parties and were still thought to be of considerable value.

2. Zamindary estates: Mandleghat Taluk and a second mortgage of Patparah.

3. Shares:

- 71 Calcutta Docking Company
- 75 New Fort Gloster Mills Company
- 5 Bengal Indigo Company
- 94 Steam Tug Association

4. Various bills and promissory notes with other parties. The report noted that arrangements were in progress with the trustees of Carr, Tagore and Company for an adjustment of the account.\(^{88}\)

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85Ibid., 1 Mar. and 28 June 1852.
86Ibid., 3 Jan. 1851.
87Ibid., 9 June and 22 July 1848.
88Ibid., 22 May 1848.
In conference between the executive committee of the bank and the trustees of Carr, Tagore and Company, the 18-lakh debt was compromised to 6½ lakhs. Although Carr, Tagore and Company was not insolvent and its trustees had announced that they would pay their debts in full, the debt was sold at auction and purchased by Muddun Mohun Chatterjee, probably a client of the Tagore family, for a mere Rs. 40,600.

It was common practice for debtors of the bank to purchase their own debts at a discount. James Hume, editor of the Calcutta Star and a critic of the business establishment of Calcutta, owed the Union Bank Rs. 67,500 and at the auction purchased his own debt for Rs. 21,000. When he came to a meeting of the proprietors and now spoke as a creditor, Longueville Clarke, whom he had attacked in his newspaper, asked Hume how much the bank owed him. The reply was, “Fifteen rupees, four annas.” He then asked Hume to account for the securities on the loan of Rs. 67,500. Hume defended himself, but Clarke had made him look the fool. Though clever enough in the cockpit of stockholder meetings, Clarke had not been clever enough to use the legal resources at his disposal to save his fellow shareholders from ruin. One example of a lost opportunity was his failure to invoke Act 111 of 7 and 8 Victoria 1844, which specified the procedure for winding up joint-stock companies. It provided for the appointment of a receiver who had the power to compel the shareholders to contribute, and when they had done so, to release them from further liability. By July it was too late to apply this law to the Union Bank, whose assets had already fallen into the hands of the sheriff.

The government itself made no attempt to see that justice was done either to the creditors or to the shareholders, who were victims of fraud. In fact, it appeared to deliberately obstruct justice. First, it prevented H.M. Elliot from serving on the new executive committee for liquidating the bank’s affairs. Elliot’s presence would have ensured the confidence of the creditors’ committee and perhaps prevented the precipitate seizure of assets by the sheriff, which frustrated plans for an orderly liquidation. The government’s position was that no official should serve as director of a trading company, but

89 Ibid., 27 Mar. 1848.
90 Ibid., 24 July 1848.
91 Ibid., 10, 12, and 14 Aug. 1848.
92 Ibid., 7 July 1848.
the Union Bank in liquidation was hardly a trading company. An act to legalize the arrangements made between shareholders and creditors of the Union Bank was first drafted in October 1848 and was promulgated on February 14, 1849. The act simply provided that no consenting creditor should take legal action against any shareholder who pays his assessment.

The business community was crying out for a law to limit the liability of shareholders, but such an act had little chance of passage in the disreputable atmosphere of Calcutta when it could not be passed in England. Instead, at the end of 1850, the government approved Act 43 for the regulation of joint-stock companies. It made registration optional and obligated registered companies to publish their audits and file them with the Supreme Court. Upon failure, a company would go into insolvency court, where an official assignee would determine the assessment and the priority of creditors. Assessments would be determined by the number of shares, not by the individual's reputed wealth, and the liability of ex-shareholders would cease after three years. A shareholder would also retain the power to compromise debts. True, if such an act had been on the books in 1847, it would have enabled the creditors to receive full payment and the shareholders to contribute much less than they did, but it did not provide for the most important needs of joint-stock companies—paid-up capital, official audits, and limited liability. The Bengal Hurkaru thought it might better have been called "an act to deter all prudent people from vesting any money in Joint Stock Associations, more especially, in Joint Stock Banks," and, along with Hume's Calcutta Star, the newspaper advised against anyone's investing in joint-stock companies.

At the end of January 1850, the executive committee reported that the liquidation could be considered completed. The Union Bank's liabilities had originally been set at sixty lakhs; by the time the scheme began they had been reduced to fifty-four. As of January 1850, liabilities of fifteen lakhs remained. But no claims remained in hostile hands and those in litigation were being adjusted. All the shareholders who had paid their assessments were now free from the threat of lawsuits. Most of the fifteen lakhs outstanding were owed to Glyn and Company, which, well into 1851, continued to raise havoc.

93 Ibid., 22 Mar. 1848.
95 Ibid., 2 and 8 Nov. 1849; 3 Jan. 1851.
among the London shareholders, many of whom had sold out long
before the Union Bank had failed. 96

The Reverend John Marshman summarized the events of 1847–48
in the June 1848 issue of his scholarly periodical, the Calcutta Review.
In a scathing attack on the European commercial community of
Calcutta, he blamed the fall of the Union Bank on the "folly and
fraud" of its directors, and characterized the European merchants in
general as men given to "systematic extravagance of living and wild
gambling speculations . . . whose moral sense is depraved and
whose habits are corrupted." Their ability to trade "seems to consist
mainly in their consummate unscrupulousness in raising money."
They come to Calcutta without capital, take up residence in opulent
mansions, purchase horses and carriages, spend great sums on
entertaining and "make a mock of religion, systematically despite its
duties, and devote the Sabbath Day to hunting." As a result, "the
character of Britain as a mercantile nation has been sullied, and the
name of Christian has been dishonored in the presence of the
heathen." 97

Assuming that fundamentally the businessmen of Calcutta were
neither more nor less ethical than their counterparts in Britain, what
was inherent in the system that encouraged large-scale speculation on
credit and extravagant personal expenditure? To begin with, a man
with capital would hardly be likely to leave his home and family to
live as a colonial in exile. Consequently, Calcutta attracted more
than its share of men who depended on the capital of others for their
speculations. Furthermore, they were determined to make their
fortunes quickly and return home, a tradition that began with the
first adventurers to the Indies in the seventeenth century. The early
European traders borrowed from Indians and from the East India
Company; the later ones used the savings of civil and military officers
of the company. In the 1830s and 1840s they relied chiefly upon bills
drawn at ten-months’ date on correspondents at home.

If, while living in the East, they violated the Protestant ethic of
frugality, modest living, and patient accumulation of capital, this too
is understandable. They adopted a grandiose style of life to compen-
sate in some measure for their loneliness and boredom. In addition,
European gentlemen in Calcutta were expected to keep up with the

96 Ibid., 29 and 30 Jan. 1850; 8 July 1851.
97[John Marshman,] "Commercial Morality and Commercial Prospects in
social pace set by highly paid officials, and to support a score of servants who could not easily be dismissed. Because of unhealthy, crowded conditions in much of the city, they considered a mansion in Chowringhee to be as much a necessity as a luxury. Extravagant living on borrowed capital was a deeply ingrained way of life in Calcutta and could only be sustained by large-scale speculation.

Of all Indian products, indigo was most accessible to them for earning quick gains on credit. But indigo was inelastic in production, and fluctuation in demand had to be absorbed in price. To maintain stability of production the industry needed large reserves of liquid capital to tide it over periods of low prices when costs of production were higher than earnings.\footnote{Alasdair I. MacBean, \textit{Export Instability and Economic Development} (London: 1966). MacBean's study shows that primary-product-export instability in underdeveloped countries does not significantly retard economic growth or affect national income or investment. Nevertheless, he does indicate that the short-term consequences for expatriate firms depend on the ability of the firms to sustain drops in earnings. "If the companies are satisfied to hold their operating costs and payments to government steady while letting repatriated profits vary according to good and bad years, the foreign exchange receipts of these countries, net of profits, are made relatively more stable," (P. 87.) The indigo agency houses had no opportunity to vary their repatriated profits, because these had been pledged in advance to their creditors.} At bottom the problem was not fraud, folly, or extravagance, but the inability of the European capitalist of Bengal, so heavily dependent on credit, to mobilize the resources to carry the indigo industry during periods of slump. Imported capital would have solved the problem, yet the agency houses sabotaged any scheme that would interfere with their jealously guarded monopoly. Like the proverbial dog in the manger, they could not do the job themselves, and would not let anyone else do it either.

Dwarkanath had been a leader in the fight of the local interests to maintain the monopoly of the Union Bank in the bill market. Although he must have known how fragile was its capital base, he believed, perhaps, that in an emergency he could mobilize new capital from the untold reserves of wealthy Indians who preferred to invest in land rather than in joint-stock companies. Had he been on the scene in 1847, he might have been able to keep the bank afloat. The Europeans who assumed leadership of the bank could not do what Dwarkanath might have done—convince wealthy Indians such as the Day brothers that it was in their interest to bail out the bank.

Two other factors contributed to the precipitate fall of the bank. One was that the overextension of credit made the bank susceptible
to the slightest contraction in international commerce. The other was
the hands-off policy of the government. If it had stepped in to
restrain the creditors and organize the repayment of debts, the bank
could have survived. The indigo factories held by the bank had an
intrinsic value, but that value could be realized only in good times.
During the commercial crisis they were worthless, and the sheriff sold
them at auction for a pittance. Thus the whole was lost because the
immediate demands of the creditors could not be met.

The Union Bank was replaced in time by lending institutions that
had British personnel and gave preferential treatment to British
borrowers. For all its faults, the Union Bank had brought together
Indians and Europeans as directors and as employees and had made
no racial distinctions in extending credit. If it had survived beyond
mid-century, it might well have become a vested interest with a
commitment to interracial business engagements. Such a commit-
ment by the premier financial institution of the city might have
helped to bridge the chasm that developed between Indian and
European in the social, cultural, and political life of Calcutta after
midcentury.
Chapter X.

THE LEGACY

While the Union Bank was drifting toward catastrophe, Dwarkanath was involved in preparations for his own final voyage. He had planned a second visit to Europe soon after returning from his first, and an attack of his recurrent fever in January 1845 made him eager to leave the unhealthy city as soon as possible. His motives for returning to Europe, however, were more than personal. "Beyond the gratification of visiting distant lands," he told his friends, he was going not "for any selfish ends." Still troubled by their criticism of his fawning behavior in 1842, he felt called upon to assure his self-selected constituency that this time he would not gloss over their grievances. At a ceremony organized to acknowledge his gift to the city of the royal portraits, he spoke like a modern politician on his way to the capital: "There was, no doubt, difference of opinion between him and numbers of his countrymen, but he would tell one and all of them that wherever his lot might be cast, he would not lose sight of the interest of his country and theirs, nor spare the utmost within his humble power to promote that interest."

On March 8, 1845, with eighty fellow passengers, he left aboard the giant P. & O. steamer Bentinck bound for Suez. In his own party were his youngest son, Nagendranath; his nephew, Nabin Chandra Mukherji; his secretary, Thomas R. Safe; and three servants. Among the other passengers were Dr. H.H. Goodeve and, in his charge, four Bengali medical students. Two were supported on scholarships provided by Tagore, and he had cajoled a group of Calcutta philanthropists and a reluctant government into supporting the other two.

1Calcutta Star, 18 Jan. 1845; Bengal Hurkaru, 8 and 14 Jan. 1845.
2Bengal Hurkaru, 3 Mar. 1845.
3IO Records, Despatches to India and Bengal, vol. 45, pp. 417-18; Public Department, 9 July (10) 1845. Brougham Papers, Auckland to Brougham, 1 May 1845.
When the party broke journey in Egypt, Dwarkanath was in high spirits. He conversed in Persian with Mahomet Ali about the construction of a railway from the Red Sea to the Mediterranean and appeared, wrote James Stuart, "to be playing the Great Man to a vast extent. The Pasha has been very attentive to him, much more so than he was before, and gave him a Palace to live in and his own scarlet clothed mules to ride, and young Ibrahim Pasha took him to every place that was to be seen and altogether he was, as he himself writes, 'once more an Indian Prince.'" After Egypt and the quarantine stop at Malta, the party traveled to Bordeaux where they sampled wine from the winery that supplied Carr, Tagore and Company with its clarets, then spent ten days in Paris and reached London on June 21.

Dwarkanath was determined that his son and nephew would use their time in England to good advantage. Nagendranath was to acquire a liberal education, studying literature, Latin, and "the manners of Europe" to "pave the way for my future advancement when I again reach my native shores." Nabin Chandra, who had served as an apprentice in the Union Bank, was to be trained in business and was placed with Roberts, Mitchell and Company. "They all promise to make me a thorough merchant within the time I shall remain here," he wrote his cousin Girindranath. The company's silk broker worked with him two or three hours each day, opening silk bundles and pointing out differences in quality and price. All was not drudgery, however, for Nagendranath teased him, "when I met you yesterday you were ... impatient to throw yourself at the feet of Miss Roberts." His uncle, wrote Nabin Chandra, was "exceedingly pleased" with his progress. "He often lectures me to take care not to be like Chunder Mohun [Chatterjee] who came here as a baboo and out the same without reaping any

5Ibid., pp. 110 ff.
6Tagore Family Papers, Rabindra Sadhana, "Our Family Correspondence," Nagendranath Tagore to Sir James Lushington, 6 Aug. 1848. Nagendra also sent home for Hindustani dictionaries and grammars. Nagendranath to Nabin Chandra Mukherji, 6 July 1846.
7"Our Family Correspondence," Nabin Chandra to Girindranath Tagore, 6 July and 20 Nov. 1845.
8Ibid., Nagendranath Tagore to Nabin Chandra, 16 July 1846.
benefits from London. . . He was only fond of skylarking at the ladies and nothing else." 9

The two young men attended the theater, read the latest novels, and commented intelligently on such political events as the fall of the Peel ministry and the dispute with America over the Northwest territories. The Americans, Nabin felt, would be certain to lose any war with Britain and were afraid of the English, who recently had defeated the Sikhs, reputedly the most fearless soldiers on earth. But the young men reserved their greatest enthusiasm for the lectures of Michael Faraday at the Royal Institution. Nabin Chandra took voluminous notes on electromagnetism and transmitted them in detail to Girindranath in Calcutta. 10

Even more diligent in their studies were the four Bengali medical students. When they first arrived, Suruji Kumar Chuckerbutty (later Suruji Goodeve Chuckerbutty) led his class of 600 in comparative anatomy, and at the completion of the course, Bholanath Bose, in competition with 200 English students, won two gold medals, one in comparative anatomy and one in botany. The others, Gopal Chandra Seal and Dwarkanath Bose, did almost as well, and all of them went on to productive and distinguished medical careers in India. 11

While this historic first contingent of Indian students abroad was hard at work, their patron kept a frenetic schedule of social engagements. "Baboo," observed his nephew, "goes out after breakfast, once comes in the middle of the day to take some luncheon, then goes out to dinner and dancing parties, comes back at the dead hour of 2½ in the morning when not a soul wakes except I to get instructions for the next day's work and what is strange is though he goes to bed as late as that he rises in the morning at six as fresh as possible." 12

Presumably, he kept his promise to promote the interests of his countrymen. Soon after his arrival, Dwarkanath met with officials of the East India Company and later exchanged views with William Ewart Gladstone, then Secretary for War and Colonies, on the

9Ibid., Nabin Chandra to Girindranath Tagore, 7 Nov. 1845.
10Ibid., 20 Nov. and 19 Dec. 1845; 2, 7, and 24 Jan. and 2 June 1846.
12"Our Family Correspondence," Nabin Chandra to Girindranath Tagore, 6 July 1845.
removal of religious bars to the admission of Indians into Parliament. The Queen and Prince Albert welcomed him back to the court as an old friend, asked him about Lord Hardinge, and expressed the hope that the governor-general “is doing all to improve the country.” He attended a Liberal party meeting at Fishmonger’s Hall where “Lord Melbourne spoke in praise of Sir Robert Peel . . . Lord John Russell also spoke and I returned thanks for health.” From early August to mid-September 1845, Dwarkanath visited Ireland. After spending some time with the Protestant officialdom, he stayed for a few weeks with Daniel O’Connell. They discussed their common problems as subjects of foreign rule; but, where O’Connell saw the solution as independence, Dwarkanath looked forward to a stronger imperial union based on racial and religious equality.

Cultural interaction with the British was, to Dwarkanath, as important as political and certainly more enjoyable. He hosted a dinner for Dickens, Thackeray, and other men of letters at which “the conversation sparkeled with wit of the highest order.” J.H. Stocqueler, former editor of the Englishman, who found Dwarkanath looking rather weary from “the racket of London life,” arranged a dinner for him with a lively group of minor literary celebrities. “There was plenty of intelligent drollery and good-humored raillery, and as Dwarkanath ‘laughed consumedly’ in the intervals of the sober chat with his neighbour who was curious about the Ramayana, the Shasters, the Koran, and the Zendvesta, I saw the party was a hit. Indeed, he said to me, when we adjourned to coffee in the drawing room—‘I have had a delightful evening. I have lived an hour in a galaxy of stars.’”

At another party, Dwarkanath met the author “J. Dix,” who had recently returned from America. “I was going to America two years ago,” Dwarkanath told him, “but that Dickens book frightened me, and I did not go. Is it all true what he said, for if so, I would not like the people?” Dix replied that he had “never been better treated than in America, and that as for rudeness and incivility, I had not

14Rabindra Sadhana, Tagore Family Papers, loose diary pages, dated 7 and 30 July and 2 Aug. 1845.
15K.C. Mittra, Memoir, pp. 115–16.
16Ibid., p. 114.
experienced any,” and then asked, “Do you think of going to America?” “I do,” replied Dwarkanath, “and next year; what you have said gives me confidence, but I shall read your book first well.” Dix concluded that he had “seldom met with a man of greater energy and ability than Dwarkanath Tagore. He talked on all subjects, and evinced a depth and variety of information which was quite surprising.”

The London winter of 1845 was particularly dreary and cold, and by early December Dwarkanath was “very unwell.” To escape he went to Paris on 18 December, 1845, and stayed there until March 9, 1846; during that time his health improved, and he began to “enjoy himself just as much as ever, just as gay as in London.” While in Paris, Dwarkanath called on F. Max Müller, the Sanskritist, who attributed great significance to their meeting. Dwarkanath found him copying the text and commentary of the Rig Veda, and Max Müller surmised that “Debendranath heard from his father that European scholars had begun in good earnest to study the Veda, and that its halo of unapproachable sanctity would soon disappear.” Dwarkanath ended his visit to Paris with a massive farewell party at which, according to an exaggerated newspaper report, he gave away handfuls of gems. He returned to London in good health, “so much so,” wrote his nephew, “that he will be able to enjoy his English parties without the least fatigue. He almost never dines at home.”

Increasingly, Dwarkanath had surrendered himself to self-destructive hedonism. He behaved as if his strength and his business affairs were slipping from his control. In his frustration he alternated between excessive spending and a last-minute compulsion to keep a tight hold on his money. Girindranath, for example, had asked Nabin Chandra to send him some plates of pierglass, and Nabin replied, “If I get them cheap. . . . I rather think Baboo will not pay for these. I know he has grown economical in these respects. . . . The truth is

18 Extract from J. Dix, Pen and Ink Sketches of Authors, etc., courtesy of Amritamaya Mukherjee.
19 “Our Family Correspondence,” Nabin Chandra to Girindranath Tagore, 10 Mar. 1845, and note from Nagendranath Tagore to Nabin Chandra, undated.
22 Bengal Hurkaru, 9 May 1846, excerpted from The Court Journal (London), 14 Mar. 1846.
23 “Our Family Correspondence,” Nabin Chandra to Girindranath Tagore, 10 Mar. 1846.
the money—your father will not give a single pice. Of that I am sure.” Again he wrote, “I heard Mr. Safe asking for some money from the Baboo to buy something for Ramanath Tagore in which he seemed not to have any inclination to pay.” On the other hand, he continued to entertain at parties, shower his hosts with lavish gifts, and donate to charitable institutions. To the outside world he was still a munificent prince, but to his family and intimates he had become a man preoccupied with financial security.

Whether this was justified or not, he began to worry about his business affairs at home. Nabin Chandra informed Girindranath that his uncle intended to decrease the enormous establishment in the godown department and “to get rid of the strangers from these and appoint one of the family on his return. Of course he will manage personally. In the meantime he has written to Dr. MacPherson to place Baboo Mudden as temporary in that department in lieu of Malik.”

In May 1845, Dwarkanath wrote Debendranath, in charge of his zamindari affairs, a letter that reflects both his economic anxieties and his disappointment with his eldest son:

I have this moment received your letter of the 8th April and quite vexed with the negligence shown both on the part of Raja Baradakant and your own Mooktears about the sale of Tallok Shahoosh. As for the former he does not care a pice about his own affairs—but how your servants can shamefully neglect to report these matters is surprising to me. All that I have hitherto heard from other quarters, as well as what Mr. Gordon has written to me about your Amlas now convinces me of the truth of their reports. It is only a source of wonder to me that all my estates are not ruined. Your time I am sure being more taken up in writing for the newspapers and in fighting with the missionaries than in watching over and protecting the important matters which you leave in the hands of your favourite Amlas—instead of attending to them yourself most vigilantly. If I was strong enough to bear the heat and climate of India, I would immediately leave London personally to superintend—as it is—my only alternative will be to write and authorize the House to get rid of the mortgaged properties and to dispose of as many of the Mofussil estates as they can as soon as possible.

24 Ibid., 8 Sept. and 7 Oct. 1845 and 6 Mar. 1846.
25 Rabindra Sadhana, Tagore Family Papers, letter from Theobald Mathew, Cork, 17 Oct. 1845. “The munificent donation which you placed at my disposal for charitable purposes, knowing your ardent zeal for education of youth, I gave to the excellent Richmond School.”
26 “Our Family Correspondence,” Nabin Chandra to Girindranath Tagore, 7 Feb. 1846.
I hear of nothing going right. We are losing every Lawsuit. Doorbasinee and Ramisserpore in confusion and others quickly becoming so. The mail tomorrow morning prevents my further writing on other matters quietly and at leisure. Tell Deby Roy, Greender and Ramchunder that I have received their letters and postponed answering until next mail, also Ashutosh Dey.

I hope Gordon has been able to arrange about Rani Kattawaney's before this letter reaches. Also tell Deby Roy that if he could get a purchaser of Doorbasinee I shall have no objection to sell but not under 2,50,000 Rupees—say two lacs fifty thousand rupees. It is fully worth that sum to anyone who would properly manage it and yield him 30 to 40,000 profit. The purchaser can easily get it sold through the Collector's sale which would enable him to break off all the tenures on the estates. To us the collector's sale and our purchase will always give an appearance of a Beneeme transaction.

I see Mr. Elliot has left the Chowringhee House. Do try to sell, it always being difficult to get a tenant.

If the estate Shahhos and Mulloy have not yet been put into the charge of Mr. MacKinzie, do so without a moments delay.

With my best regards to all at home. 27

Soon after his return from Paris, Dwarkanath's health began to fail. His last month was spent at Worthing, a seaside resort, accompanied by his secretary, a musician, and seventeen servants. Even here he played the celebrity and received visitors, including the Duchess of Cleveland, who came to see him daily. Years later, the innkeeper reported that through all his pain he had never complained but had remained cheerful, amiable, gracious, and kind to the lowest servant. Hooly, his favorite servant, slept at his doorstep and during the day sat near him on a mat "tickling the soles of his feet for hours together." On July 27, hardly conscious, he was brought back to St. Georges Hotel in London, where he died on August 1 28 According to Stocqueler: "A terrific thunderstorm passed over the great city at the hour of his death, as if it were only natural that so truly great a man should pass away in a moment of striking

27 Rabindra Sadhana, Tagore Family Papers, Dwarkanath Tagore to Debendranath Tagore, 22 May 1845.
28 Letter from Satyendranath Tagore to Gaganendranath Tagore from Worthing, Sussex, 25 August 1862, published in Tattvabodhini Patrika, undated clipping, KN'T Collection.
solemnity. I had never heard such peals of thunder, or saw such vivid flashes of lightening . . . as that which accompanied the divorce of the soul from all that was earthly of the noble Dwarkanath.”

He was buried without religious rites in Kensal Green Cemetery, watched over by his son; his nephew; the medical students; and, among other friends, his former partners, Major Henderson and William Prinsep. The Queen sent four royal carriages. On his tombstone is carved the simple inscription, “Dwarkanath Tagore of Calcutta.”

Dwarkanath’s death left his young charges helpless and unprepared for the future. Nabin Chandra returned to Calcutta and threw himself on the mercy of Debendranath and Girindranath. Nagen-

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dranath, only seventeen at the time, abandoned his plan to enter Cambridge University, and spent the next few months wandering about England, losing himself in drink and sightseeing. Although he wrote Nabin Chandra, “you know I do not like the English people in general. I hate their customs and detest their mercenariness,” he was reluctant to return home. When, at last, he did return, he wrote in vain to Lord Auckland, Sir, James Lushington, Sir James Hogg, and T.C. Plowden for help in obtaining a government appointment.

Meanwhile, Debendranath, along with his brother Girindranath, performed a cremation ceremony on the bank of the Ganges using an effigy of kusa grass. As they began the formal, lengthy sraddha ceremonies, they were advised by their relatives and by Radhakanta Deb not to deviate from the orthodox ritual. But Debendranath insisted on a Brahma ceremony, and the sraddha turned into a scene of chaos and confusion, the guests walked out, and Dwarkanath’s sons were ostracized from Hindu society. “This was,” wrote Debendranath, “the first instance of a sraddha being performed without idolatry in accordance with the rites of Brahma-dharma,” and

29Stocqueler, Memos, p. 171.

30According to the Times, Dwarkanath died of an affliction of the liver; obituary, 19 Sept. 1846. Hyslop Bell attributes his death to “aure or malarial fever.” J.H. Bell, British Folks and British India Fifty Years Ago: Joseph Pease and His Contemporaries (London: n.d.), p. 143.

31“Our Family Correspondence,” Nabin Chandra to Girindranath Tagore, 20 Aug. 1846.


33Ibid., Nagendranath Tagore to Lushington, 6 Aug. 1848; to Auckland, 4 Apr. 1848; Auckland to Nagendranath, 30 Nov. 1848.
Dwarkanath’s death-ceremonies became a landmark in the history of religious reform in India.\textsuperscript{34}

Early in December, the leading Europeans, joined by a large number of Indians, held their own memorial meeting in Town Hall. The European speakers emphasized his liberality to the poor, his devotion to interracial friendship, and his efforts to educate his countrymen. A Bengali speaker noted that “India has now no friend to plead for her rights and privileges, no advocate to espouse her cause,” and called on his countrymen to “put their shoulders to the wheel, identify their interest with the interest of Government, come forward and support undertakings which are for the general welfare of the community.” Appropriately, the meeting voted to commemorate Dwarkanath’s memory with a scholarship fund to support Indian students at the University College of London,\textsuperscript{35} but the fund fell victim to the crisis of 1847.

Between the death of Dwarkanath and the closing of Carr, Tagore and Company sixteen months later, Debendranath and Girindranath exercised majority control of the firm. Debendranath left its supervision to Girindranath, on whose advice the partnership was dissolved and the remaining British partners were paid handsome salaries to carry on the business. The house might have survived under Girindranath had it not been for the commercial crisis of 1847, but on December 31, unable to meet a demand for Rs. 30,000, the firm closed its doors.\textsuperscript{36} Donald McLeod Gordon called a meeting with the creditors on 4 April 1848, and Robert Castle Jenkins, as chairman, read the accompanying statement of accounts. Although the firm’s stated assets were adequate to cover its liabilities, immediate payment would have been impossible. Therefore, to forestall insolvency and a devastating auction, the creditors agreed to place the properties in trust, with R.C. Jerkins, F.R. Hampton, and Ramanath Tagore as trustees. The debts were to be paid off from current income and the gradual sale of property.

The meeting was pervaded by an atmosphere of amiability, tinged with sadness for the death of Dwarkanath, sympathy for his inept sons, and respect for the integrity of his former partners. Dwarkanath having left behind a large number of dependents who now

\textsuperscript{34}Debendranath Tagore, \textit{The Autobiography of Maharshi Devendranath Tagore} (Calcutta: 1909), pp. 46 ff.
\textsuperscript{35}K.C. Mittra, \textit{Memor. app. c}, pp. xlvii-lviii.
\textsuperscript{36}\textit{Autobiography of Maharshi Devendranath Tagore}, pp. 53, 63.


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<td>Indigo for 1848, 21,000 maunds at 120 per maund — 2,40,000, less required expenses,</td>
<td>1,60,000</td>
</tr>
<tr>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td>Silk factories</td>
<td>1,05,000</td>
</tr>
<tr>
<td>Personal account</td>
<td>8,64,000</td>
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<tr>
<td><strong>Total assets, pledged and unpledged.</strong></td>
<td>Rs. 12,88,450</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Liabilities</th>
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<tr>
<td><strong>Covered:</strong></td>
<td></td>
</tr>
<tr>
<td>Loans on joint stock shares</td>
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<td>Sundry security</td>
<td>7,70,000</td>
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<tr>
<td>Balance indigo account in Union Bank</td>
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<tr>
<td><strong>Uncovered:</strong></td>
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<tr>
<td>Union Bank including discounts</td>
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<td>Sundry floating accounts in India</td>
<td>70,000</td>
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<tr>
<td>Sundry floating accounts in Europe</td>
<td>1,76,000</td>
</tr>
<tr>
<td>Sundry fixed accounts in Europe</td>
<td>80,000</td>
</tr>
<tr>
<td>London exchange account</td>
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</tr>
<tr>
<td><strong>Total liabilities, covered and uncovered</strong></td>
<td>Rs. 25,46,000</td>
</tr>
</tbody>
</table>

looked to his sons, W.F. Fergusson suggested that they be permitted to retain the family residence at Jorasanko. He absolved the partners from any blame for the collapse of the firm, and D.M. Gordon, "overpowered with emotion" and "even effected to tears," assured the meeting that "none of the partners had benefited in the remotest
degree by any portion of its funds.” 37 The government was equally generous with Tagore’s sons, and in the case of one large estate, Mandleghat, which was not even a trust property, permitted them to delay revenue payments. In an unusually generous decision, the government held that, “from considerations of the peculiar pressure of the times, [the government] is unwilling to allow the sons of a man who deserved and enjoyed in so high a degree the respect of the government as the late lamented Dwarkanath Tagore to be sold of their patrimony in consequence of a comparatively small arrear of revenue.” 38

D.M. Gordon and James Stuart, as Gordon, Stuart and Company, assumed management of the Bengal Coal Company and the Calcutta Steam Tug Association, along with the commercial activities of the defunct house. They also inherited the enemies of Carr, Tagore and Company, foremost among whom was Captain Engledue, Calcutta agent for the P. & O. At the March 1848 meeting of the Steam Tug Association, Captain Engledue accused Gordon and Stuart of furnishing inflated reports on the capital position of the company, overpaying for coal and other provisions, raising dividends by promissory notes, and neglecting the maintenance of the tugs. 39

Was this Association to go the way of all flesh—was it to go the way of all other companies in Calcutta? If there was any independence remaining in this place—any spark of public spirit, it would appear this evening, in the removal from office of the present Secretaries. The management was never secure in their hands. They belonged to the late Firm which had been the downfall of the Assam Company, the Salt Company, the Ferry Bridge Company, the Union Bank, the Tropical Insurance Company, the Inland Steam Company and the Coal Company:—and here they are now connected as secretaries with the Steam Tug Company, the property of which is disappearing rapidly. . . . Their connection with the Bengal Coal Company utterly disqualified them from the office. 40

Those present at the May meeting voted seven in favor and six against the removal of Gordon and Stuart, but when proxies were counted, the final total was twelve for and forty-seven against. Dwarkanath’s old mufassal constituency saved the day for his

37Bengal Hurkaru, 5 Apr. 1848.
39Bengal Hurkaru, 28 Mar. and 19 May 1848.
40Ibid., 19 May 1848.
successors, and Gordon, Stuart and Company retained management of both the Bengal Coal Company and the Steam Tug Association until their retirement in 1867. Even the Bengal Hurkaru had sided with Engledue. "It appears to us," wrote the editor, "that the old system of making houses of agency secretaries to Joint Stock Companies is unsafe and impolitic." But instead of disappearing, the "old system" proved its utility and, as the managing-agency system, became the model for the organization of almost all large business enterprise in India.

Less is known about the disposal of Dwarkanath's personal debts. Debendranath, in writing that the total liabilities of "the firm" amounted to one crore of rupees, could well have been referring to his father's personal liabilities, which Debendranath pledged to discharge in full. The family held onto Jorasanko, but they could not save Belgatchia, the symbol of Dwarkanath's civic leadership. The house and gardens were eventually sold to the Paikpara Raj family, and the Maharajah of Burdwan purchased most of the contents, including the fine glassware, cutlery, and artworks collected by Dwarkanath on his two trips to Europe. The amicable settlement, however, left virtually untouched the properties that Dwarkanath had placed in trust for his sons. They gave up their life interest in the property, but were permitted to retain one-third of the rents for their maintenance. Debendranath gradually assumed management of the estates, and by the time of his death in 1905 net income from zamindari had increased threefold.

41 Ibid., 19 and 20 May 1848.
42 Ibid., 29 Mar. 1848.
46 Bengal Hurkaru, 6 Apr. 1848. KNT Collection, Case for Opinion, re: division of property of Debendranath Tagore requested by Hitindranath Tagore, opinion of B.M. Chakravarty, 23 Apr. 1907.
Important as these estates were, they were not as important as the spiritual legacy bequeathed by Dwarkanath to his descendants. By cherishing the freedom of mind and spirit he exemplified, the Tagores became the social and cultural pioneers of Bengal in the late nineteenth and early twentieth centuries. Although, of his own sons, neither Girindranath nor Nagendranath, who died childless at age 29, distinguished themselves, two of Girindranath’s grandsons, Abanendranath and Gaganendranath, were precursors of the modern art movement in Bengal.\(^{47}\) Debendranath, on the other hand, became the leader of the Brahmo Samaj and the prototype of the modern Indian religious teacher who creates a new religious synthesis and attracts disciples by his saintly bearing. Of Debendranath’s fourteen children, Satyendranath became the first Indian to compete successfully for an appointment in the hallowed covenanted Indian Civil Service. Others earned fame as scholars, artists, and musicians. Rabindranath, the most gifted of all, was an enormously prolific artist, composer, novelist, dramatist, poet, and educational philosopher. His biographer, Edward Thompson, acknowledged the influence of his inheritance: “If he was fortunate in the time of his birth, when such a flowering season lay before his native tongue, in his family he had a gift which cannot be over-estimated. He was born a Tagore; that is, he was born into the one family in which he could experience the national life at its very fullest and freest.”\(^ {48}\) Five and six generations after Dwarkanath, the Tagores have continued to produce men and women of talent. What most of his descendants share with Dwarkanath is his quality of bold creativity, breaking of new ground, defiance of convention, and rejection of provincialism in favor of a universal outlook.

Tagores have been entrepreneurs in the arts, in social reform, and in education, but among his hundreds of descendants, few have followed Dwarkanath’s example and taken up business as a profession. In this, Dwarkanath’s descendants reflect the declining role of the bhadralok\(^ {49}\) in the business life of their province. There have been many explanations for this decline, some involving internal


values and others external pressures. One factor often cited by scholars—including Karl Marx—is that the Permanent Settlement diverted Bengali capital from commerce and industry into land; but the case of Dwarkanath indicates that landholding was not necessarily a barrier to commercial activity, and, in fact, could help support it. Rather, one must look to the vast changes that occurred in the economy and society of Bengal in the second half of the nineteenth century. After midcentury the scale of economic activity in Calcutta greatly expanded. For Bengalis to compete successfully against British firms engaged in international trade and managing agency required access to the British capital market, knowledge of modern technology and business organization, and familiarity with overseas markets, all more readily available to Europeans than to Bengalis. In addition, Europeans received favored treatment in the use of railway and shipping facilities and found it easier to obtain credit from local and imperial banks. In Dwarkanath’s day, when business operations were smaller and simpler, the British advantage was less obvious. Petty trade and small-scale industrial activities, such as iron founding and milling, were still open, but the bhadralok considered these to be low-status occupations.

Simultaneously, the expansion of British rule presented the bhadralok with alternative opportunities to achieve enhanced social status in a bureaucracy growing in size, professionalization, and prestige. The inauguration of the examination system in 1853 and the assumption of direct rule by the crown in 1858 created an aura around government service that extended to the lowly nonconvenanted ranks occupied by Indians. In the early nineteenth century, business had been the most accessible avenue of upward social mobility. Now, given the choice between government service and lower-status business activities, upper-class Bengalis chose government service, a choice, incidentally, consistent with the traditional status system of Bengal. Still another factor was the greater opportunities for higher education, especially in the liberal arts. The bhadralok who flocked to the colleges and universities received an education that prepared them for little else than government service or professions such as law and education. Nevertheless, though most Bengali bhadralok would have considered it beneath their dignity to

become petty traders, many would have been quite willing to work in the executive offices of large British firms. But here they came up against still another barrier—racial prejudice. British firms domiciled in Calcutta preferred to recruit their apprentices in Britain from among their own “race,” and even Bengalis with technical degrees from British universities were excluded from British firms.\footnote{51}

Although Bengali leadership in both commerce and industry declined, Bengalis continued, until the twentieth century, to play an important though subordinate role in commerce. In 1855, two of the leading agency houses were Bengali—Ram Gopal Ghosh and Company and Ashutosh Day. The large British export-import houses employed Bengali banian firms as middlemen between themselves and the bazaar retailers or upcountry produce brokers, and the Calcutta commercial directory for 1855 lists 50 banians and 150 “Bengali commercial traders.”\footnote{52} By 1863 the number of Bengali agency houses had increased to 7, and the directory for that year lists 35 Bengali banians and 31 “ships banians,” primarily Bengalis.\footnote{53}

Despite their numbers, however, their position was not what it had been in Dwarkanath’s day, when many of the banians had been independent merchants. For example, in 1839 Ram Gopal Ghose wrote a friend in the government service that five of their Hindoo College classmates had “all turned their attention to trading,” and that in a few years he himself expected to “become an independent merchant—an honourable profession, the prospect of which thrills me with delight.”\footnote{54} As early as 1853, however, the Bengali daily Samband Prabhakar noted the “shameful . . . retreat” of the Bengali middle class from trade and commerce and criticized their preference for working under foreigners to launching their own business houses.\footnote{55} One indication of their declining status, as well as of the increasing racial exclusiveness of the Europeans, is that the Bengal Chamber of Commerce, which had five Bengali members in 1855,


\footnote{52}{Bengal Directory and Annual Register (Calcutta: 1855), pt. VII, pp. 55, 58, 59. For a description of the banian’s work, see Hindoo Patrool, 11 Feb. 1858.}

\footnote{53}{New Calcutta Directory (Calcutta: 1863), pt. VIII, pp. 45–48.}

\footnote{54}{Ram Gopal Sanyal, Bengal Celebrities (Calcutta: 1889), vol. I, pp. 179–80.}

The late-nineteenth-century banians came mostly from the traditional merchant castes of Bengal. In time the successful ones purchased zamindaris, adopted the prevailing bhadralok cultural values, and lost "their mercantile instincts."

Bengalis fared even worse in industrial enterprise. In 1842, aside from banks and insurance companies, there were six joint-stock companies, four managed by Carr, Tagore and Company and one by the Parsi, Rustomjee Cowasjee. The sixth was the P. & O., which, aside from the Assam Company, was the only firm in which majority shares were held in Britain. The situation had not altered significantly by 1847; and in 1855 a Bengali, Bysumber Sen, joined George Acland in establishing the first jute mill in India at Rishra, which they carried on together for three years. By 1863, however, the number of joint-stock companies in Calcutta had increased to sixty-nine, the largest sixteen of which were sterling companies directed from Britain. There were fourteen steamer lines, twelve tea companies, twelve docking companies, seven transport companies, seven coal companies, four railways, three jute mills, one telegraph company, one iron-works, and one gas company. Only a handful of Indians sat among the directors of rupee companies; three of the collieries were owned by Indians, and one steamship line was owned by Herra Lall Seal, the son of Motilal. Thus, though Bengalis continued to participate on a modest scale in joint-stock enterprises, Calcutta, after the Mutiny, was engulfed by an influx of British firms. Bengal had entered a new, advanced stage of economic activity, and the Bengalis had been left behind in the economic race. In the countryside, Bengalis of traditional trading castes continued to have an important place in the production and trade in primary products and in some extractive industries. But by the end of the nineteenth century even they were rapidly being displaced by Marwari and other non-Bengali trading communities.

Toward the end of the century, the Bengalis became increasingly concerned about their economic decline. Their response was the swadeshi movement which called on Indians to boycott British imports, to manufacture and use indigenous products, to develop

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58 Ibid., p. 466.
59 New Calcutta Directory.
60 Ray, Bengali Chemist, pp. 440 ff.
indigenous industries, and to provide jobs for Bengali youth. Moved by idealism, young men with no business experience set aside their books and launched swadeshi enterprises, most of which failed. One of these young men was Dwarkanath’s grandson, Jyotindranath, the talented older brother of Rabindranath, who tried without success to launch a match company, a powerloom, and a steamship company. 61

Like Dwarkanath, the swadeshi entrepreneurs saw business, politics, and nation-building as a unified whole. True, Dwarkanath’s “nation” was an integral part of the British empire, whereas the patriots of fifty years later conceived of India as a separate nation. But the same principle underlay both: a man could not separate his business activities from his civic, social, and political responsibilities. As a result, profits might suffer, business might be neglected for other duties, and the entrepreneur might not always base his investment decisions on rational economic considerations. Because civic or patriotic duties took precedence over business, and neither Dwarkanath nor his swadeshi successors made the most of economic opportunities, their success or failure must be measured in political as well as economic terms. Dwarkanath and the swadeshi entrepreneurs, each in his own way, presided over an “age of enterprise” in Bengal. The 1840s, like the first decades of the twentieth century, were a period of faith in the future, exhilaration, accomplishment, and civic spirit. Although in economic terms the achievements were modest, they were vital to the development of Indian nationhood.

CONCLUSION

Throughout most of Calcutta’s 250-year history, outsiders rather than Bengalis have dominated the city’s economic life. Until independence, the British controlled the city’s major firms; after independence they shared control with businessmen drawn chiefly from non-Bengali trading communities. Yet, for a brief interlude at midpoint in the city’s history—the 1830s and 1840s—Bengalis were the most active associates of the British in the modern sector of the economy. The era of Bengali participation coincided with the growth of interracial civic institutions and local community spirit. It also witnessed the introduction of the steam engine on a commercial scale, the development of new industries such as tea, steam shipping, and coal mining; and the application of new forms of business organization—the joint-stock company, the managing-agency system and commercial banking.

Presumably, the vitality of Calcutta’s civic institutions was related to the participation of the city’s largest ethnic community in the economic power structure. For a short period the Bengali elite found that the interests of their community and those of the city coincided and were willing to devote themselves to civic as well as community affairs. Calcutta was, however, a city of transplanted Britishers as well. It was founded by the British and its civic, governmental, and major business institutions were British in form and inspiration. It was as much an extension of Britain as it was a part of India and in closer communication with London than with, for example, Delhi. To build a polis, based on the solidarity of its inhabitants, called for a catalytic agent identified with both of the leading communities. The man who tried to fill this role was Dwarkanath Tagore.

Dwarkanath was the scion of a family that typified the cosmopolitan, nouveau riche Bengali landholding and commercial elite of Calcutta. As commercial intermediaries, the Tagores had trod their
way adroitly between two contradictory worlds and in a pragmatic, piecemeal fashion had adopted some of the superficial trappings of western culture, but they did not take western civilization seriously. Instead, following the traditional path of upward mobility, they spent vast sums in an effort to acquire status within Bengali Hindu society.

Early in his life, Dwarkanath Tagore decided that the future lay with the West, that he would depart from his family's path and would aspire to acceptance in European society. It was a bold decision. Collaboration in business ventures with the British had long-established precedents, but acceptance into British society as an equal was unheard of. In his decision can be discerned the influence of his teacher and guide, Rammohun Roy. Rammohun led Dwarkanath beyond the superficialities of western civilization to an appreciation of European intellectual power and the need to incorporate Western political and ethical concepts into his own personal set of convictions. Through Rammohun, Dwarkanath was introduced to the small circle of enlightened Europeans devoted to utilitarianism, unitarianism, free trade, and civil liberties. In his enthusiasm for European art, technology, and political and social forms, Dwarkanath surpassed his teacher and extended Rammohun's synthetic approach into the realms of society and economics. Like Rammohun, Dwarkanath conceived of a prosperous, educated India taking its place in the modern world as part of the British Empire. The empire he envisioned was to be a racially and culturally heterogeneous collection of nations, each borrowing the fruits of the others' cultures, standing as equals, participating in the governance of the whole, and benefiting alike from the union. All of Dwarkanath's diverse activities were directed toward attaining that goal.

If Rammohun provided the framework for his enlarged views, recent developments in Calcutta appeared to bear out Dwarkanath's vision of the future. By the mid-thirties Calcutta was the political and economic capital of the Indian subcontinent. The East India Company, deprived of its trading function in India, was now encouraging British colonization, and the city had a growing population of British tradesmen, merchants, and professionals. As an offshoot of the recently enfranchised British middle class, and as custodians of a new industrial technology, the European business community had gained increasing pride and unbounded confidence in the future. Simultaneously, Indian businessmen were taking a
larger role in international trade and joint-stock enterprises, and ever-growing numbers of Indians were receiving a Western education. By all indications the two communities were coming closer together. They were uniting on a number of common issues: the steam route to Europe, local control of banking and joint-stock enterprises, the extension of free trade, freedom of the press, and support for Western education. Furthermore, European merchants had become increasingly dependent on Indian capital and were paying for its use by accepting Bengalis into their firms. In addition to collaboration in business, Bengalis and Europeans were associated in such important public institutions as the Agricultural and Horticultural Society, the Managing Committee of Hindoo College, the Bengal Chamber of Commerce, and the Landholders’ Association.

Dwarkanath realized that there were immense obstacles to overcome in building an interracial society. Racial tension had always been characteristic of Calcutta, a city of great social mobility with wide-open opportunities for aggressive individuals and families and with few traditional guidelines to soften the abrasive competition for money and status. The improvement of communications with Europe increased the tendency of the British to think of India in terms of a temporary exile from home. Indeed, Dwarkanath’s own period of leadership only interrupted a trend that reasserted itself after his death. To Dwarkanath, however, the two societies appeared on the point of convergence, and he worked to facilitate the process. He promoted British settlement in India and the establishment of a civic loyalty based on geographic residence rather than on race and religion, encouraged the races to work as partners in business and civic organizations, invited them to mingle socially at his mansion, and encouraged them to attend the same theaters and read the same newspapers. By his own example he tried to embolden Indians to visit England and participate in British social and political life.

Dwarkanath’s major economic achievements occurred within the favorable period of the business cycle between the two major depressions of 1830–33 and 1847–48. This “age of enterprise” was, in fact, a period in which the economic activities of the preceding era were intensified and amplified, and most of the new enterprises can be attributed to the extensive commercial application of steam power, introduced in the period before 1830. Even without the entrepreneurship of Dwarkanath Tagore new enterprises would have
been launched. But if he did not create the "age of enterprise," he surpassed his contemporaries in bringing together the factors of production. His own activities demonstrated the potential of combining existing resources with the new technology. He developed his rural estates as sources for export staples—indigo, sugar, rum, and silk—and then integrated these products into the export business of Carr, Tagore, and Company. To carry his products overseas, he assembled his own fleet of merchant vessels, and, when he saw the need to facilitate the financing of production and export trade, he took the lead in establishing the Union Bank. By his purchase of the Raniganj coal mines he complemented his commercial undertakings with industrial enterprises. To increase the market for coal and to expedite shipping, he formed the Calcutta Steam Tug Association, and to bring the products of the Ganges Valley to port, he promoted the India General Steam Navigation Company. He took over management of enterprises originated by the imaginative Prinsep brothers (the Bengal Tea Company and the Bengal Salt Company), encouraged the economically feasible but ill-fated ferry-bridge scheme, and, toward the end of his life, joined in the promotion of the Great Western of Bengal Railway Company.

In the operation of his companies he appears to have specialized in company relations and contracts, and he had a special talent for finance and organization. He persuaded the Marine Board by threats and pleas to use his coal; he coaxed the government to honor its professed commitment to indigenous development, and he took advantage of every opportunity to obtain special concessions, customs rebates, and advances on the hypothecation of his exports. His firm benefited from his wide contacts in the business community and among Indian zamindars. To control and manage his widespread enterprises he developed his house into the prototype of the managing-agency firm, and in the fashion of later managing agents, vertically integrated the various companies under his control. The tug and river-steamboat companies purchased coal from his mine and used the docking and repair facilities owned by his house. He was the first businessman in India to apply the joint-stock form on a large scale and by the sale of shares to tap both the savings of the Europeans and the wealth of his Indian friends.

Though brilliantly conceived, many of his enterprises failed, or nearly failed as a result of poor management. Dwarkanath himself was too preoccupied to become immersed in business routine, and his
partners came and went too quickly and spread themselves over too many projects to devote themselves to careful management. In this respect, however, Carr, Tagore and Company was no better or worse than its contemporaries. Poor management was endemic in Calcutta, and, in fact, in Britain itself, during the early nineteenth century. Yet, as a promoter, Tagore’s record of success is impressive. Of the six joint-stock companies organized by his firm, four—the Calcutta Steam Tug Association, the Bengal Coal Company, the Assam Company, and the India General Steam Navigation Company—were long-lived. The first survived for over twenty years, and the latter three are still in operation under new names and corporate forms. Only two companies, the Bengal Salt Company and the Steam Ferry Bridge Company, failed while under the management of his firm. The salt company was an overambitious scheme based on inadequate appreciation of the technological problems involved. If it was ill-conceived, at least it had not been Dwarkanath’s conception, but that of George Prinsep. The Steam Ferry Bridge Company, on the other hand, was a reasonable scheme, but failed because of the incompetence of its British agents, inadequate local financing, and governmental indifference. Dwarkanath’s most conspicuous failure was the Union Bank, whose complex affairs he was not competent to direct. In sum, Dwarkanath was a shrewd, realistic, and imaginative businessman, and his idealism, rather than leading him astray, provided him with just the right amount of readiness to explore new economic opportunities.

This same idealism, however, blinded him to the ultimate futility of ever realizing his larger goal—a comprehensive Indo-British partnership. His fundamental error was to miscalculate the strength and to misread the nature of the British commitment to India. He believed that he could induce the British to reciprocate and embrace him and his country as he was embracing them and theirs. But all the overtures came from one side. Carr, Tagore and Company, for example, was not truly a partnership of equals. Dwarkanath established the house and invited Carr, Prinsep, and other impecunious British merchants to join him in the use of his capital. They had nothing to lose and everything to gain by accepting his offer, and they left for home as soon as possible.

Nor did the British reciprocate his bid for genuine social intercourse. It was at his home that they gathered to be lavishly entertained by their solicitous host; they did not return the invita-
tion. If Dwarkanath wanted interracial cooperation, he had to provide the framework, whether it be a charitable society or a joint-stock company. True, he was received in Britain as an honored guest and undoubtedly believed he was making great strides for his countrymen by moving freely in court and government circles. But he was only receiving the treatment customarily accorded a charming and exotic foreign prince, and by calling him “Prince Dwarkanath” the British could pretend he was just that and not the more threatening personage he had meant to be—a fellow citizen of the empire. His son Nagendranath did not inherit his “title,” and after Dwarkanath’s death became only another job-seeking Bengali.

Dwarkanath paid a heavy price for his daring dream, not only in economic terms, but in psychic ones. He was cut off from intimate relationships with his own family and community, dependent on the friendship of strangers, and never certain whether he was loved for himself or his largesse. Only a profound loneliness could have driven him, on the eve of his final illness, from one social gathering to another. His light-hearted manner must have hidden an inner uncertainty as he explored new, untried paths for which there were no conventional rules of behavior. In rapid succession he played one role, then another: the rich, almsgiving Hindu, the governor-general’s Indian counterpart, the exotic representative of his people at the royal court, the western-style entrepreneur, the crony among his British friends, and the daring breaker of caste taboos. Always on stage himself, it is no wonder that the art form he most appreciated was the theater.

Dwarkanath labored in vain, for the British would not accept genuine partnership with an Indian. The nature of investment depends on the investor’s perception of economic opportunities in a political and social context. Whereas Dwarkanath conceived of India as a potentially modern, industrialized nation, the British, for the most part, saw only a vast agricultural dependency feeding raw materials to British industry. Their perception influenced the nature of their investments and made them unwilling to take risks in slow-maturing industrial enterprises. They saw no future for themselves or their children as settlers in India and considered India, instead, as a place where they could quickly enrich themselves and which they could then abandon. Many an enterprise foundered because the British capitalist in Calcutta, faced with the prospect of committing an extra sum that would have saved a company,
preferred to remit his money home. The British lack of commitment precluded the establishment of a local, interracial citizenry founded upon an economic partnership. If, however, Bengal was not worthy of commitment, it was fair game for exploitation. Its tropical climate, resources, and location as the trade terminus of the Ganges Valley made it ideal for development as a complement to British industry, and Bengal failed to develop sufficient industries of its own to give employment to its youth and meet the economic demands of its increasing population.

In Dwarkanath’s day, the Indian investor still required British leadership, and, so long as it was not forthcoming, was content to invest in land. Later in the century it was too late to reverse the trend. As the Bengalis fell behind economically, they compensated in other directions. Their entrepreneurs promoted new religions, social-reform organizations, and political parties, while their gifts of imagination were channeled into literature and politics. With partnership closed to them, the Bengalis, including Dwarkanath’s son Debendranath, turned inward and probed deeper into the essence of their own traditions. Keshub Chundra Sen preached a new form of bhakti, Ramakrishna revived the cult of shakti, and Aurobindo deified the Motherland. In the twentieth century, Bengalis turned to revolutionary terrorism, to Marxism, and to the militarism of Subhas Chandra Bose. Because the British had rejected the Bengalis, their popular leaders rejected British liberal values, and the land that had spawned the internationalism of Dwarkanath Tagore became, in time, the fountainhead of neo-Hinduism, and the nursery of Indian nationalism.