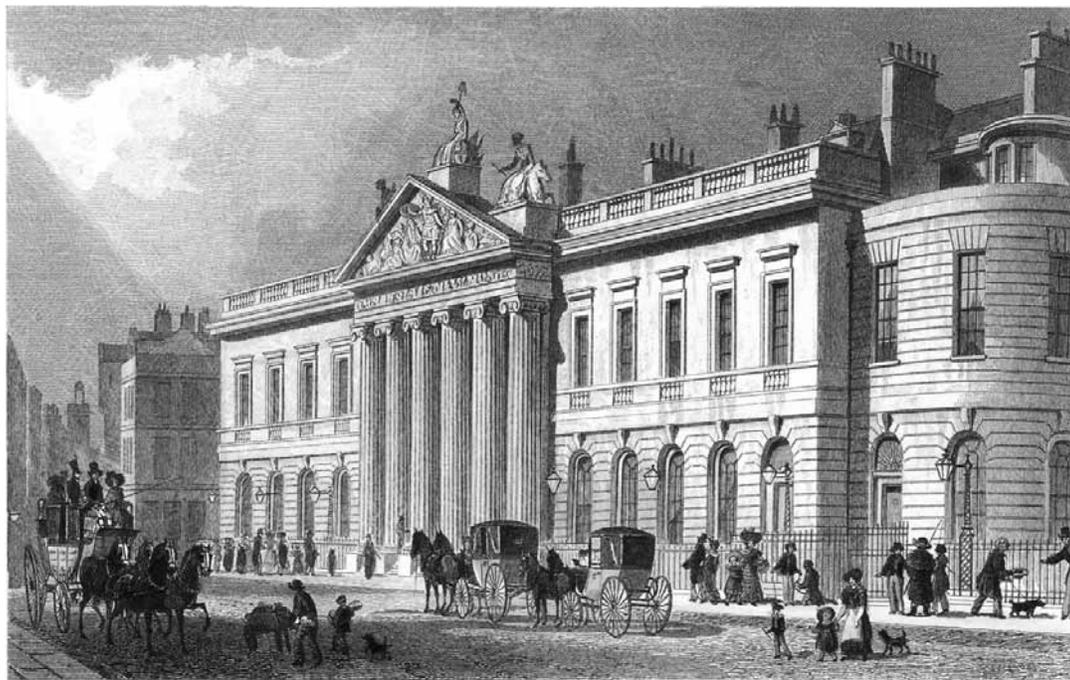


## Reversals of Fortune in the Tea Industry

### Part XI: France vs. England in Eighteenth Century India



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EAST INDIA HOUSE, LEADENHALL STREET

The East India House on Leadenhall street symbolized the economic progress experienced by Great Britain in the eighteenth century. The illustration above depicts the East India House as it was reconstructed in 1799-1800. By this time, tea was one of the most important import products for the East India Company (EIC), but the ability to source tea was increasingly problematic.

By the latter half of the nineteenth century, the British would begin to produce tea in India under their own management. Our series continues at a time when the English position in India is threatened on two fronts, and some believed that the future in India would be in the hands of France. The battle between France and England was, in reality, a battle between Joseph François Dupleix and Robert Clive.

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## ***Reversals of Fortune in the Tea Industry, Part XI***

In Part X of our series, we discussed the rapid increase in China tea imports to the U.K. during the first part of the eighteenth century. Data from K. N. Chaudhuri's *The Trading World of Asia and the English East India Company 1660–1760* showed a six-fold increase in China tea imports during the decade 1751-1760, compared to tea imports of three decades prior. That data was for official imports of China tea by the British *East India Company* (EIC), which enjoyed a monopoly on trade with the Far East.

Just how much tea was actually imported to the U.K. during this time is open to speculation. At mid-century, the EIC saw their monopoly rights as a license to sell their teas at huge margins. Moreover, the import tax on tea was in excess of 100%. The combination of high profit margins and the inordinate duty made tea smuggling a highly profitable enterprise. Consequently, the market in smuggled tea is believed to have exceeded the legal trade. Tea merchants who operated legally were finding it difficult to compete, and many were forced to close.

Richard Twining, grandson of Thomas Twining (founder of the House of Twining), was one of the more adamant proponents of a reform of the tea tax. He finally found an ally in William Pitt (the Younger), who became Prime Minister in 1783 at the age of 24.

Pitt was critical of Lord North, whom he blamed for Britain's failure to secure the American colonies. He was also familiar with the writings of Adam Smith, whose *Wealth of Nations* was published in 1776, the same year that the American Declaration of Independence was signed.

With Pitt's backing of the Twining case against heavy tea taxes, British Parliament passed the *Commutation Act of 1784*. Under the Act, the tea tax was reduced dramatically,

and at the same time limits were placed on the margins that the EIC could realize on tea sales.

As Adam Smith would have predicted, the demand for tea exploded and tax revenues actually rose in the aftermath of the Commutation Act. Since tea smugglers lost their market to legitimate tea dealers, virtually all tea imported to Great Britain was now taxed at the lower rate. Tea was now affordable to a larger segment of the British population, but it was still out of the reach of the poor.

Additional developments would have to unfold before the British tea industry could reach the greatest segment of the British population, the common laborer. This would come through the economic and social changes that began in the late eighteenth century, as the modern British economy developed. It would be a slow and often painful process, and it involved much more than the Industrial Revolution.

By some accounts, the British Industrial Revolution was a sequel to the British Agricultural Revolution, made possible by a combination of better farming practices and the appropriation of larger parcels of farmland.

In brief, agriculture was becoming more sophisticated, i.e., more scientific, resulting in greater yields. The expansion of agricultural plots was an outcome of a constant state of warfare, funded in large part by wealthy landlords. Public grazing lands were often transferred to these already wealthy landowners as settlement for war debts. The transition from small family farms to large-scale commercial farming was underway.

In 1750, 87% of the British population lived on farms, while 13% lived in towns of various sizes. By 1900, the statistics flipped, with only 13% of the population living on farms. During that same period, the overall population grew five-fold. Unemployed farmers flocked to the city, hoping to find work at subsistence wages, providing ready labor for

the fledgling Industrial Revolution. Children who grew up in the city entered the labor pool at a young age.

The urban worker seldom had access to home-grown fruits, vegetables, or meats, so the market for inexpensive provisions swelled among the urban working poor. As we shall see in a future installment of our series, Thomas Lipton would build his empire at the end of the nineteenth century by selling provisions, including tea, to the urban working class in the U.K. But even before Lipton, the popularity of tea was increasingly becoming a staple for the urban worker.

The transition from what economists would call a *land-labor* economy to a *capital-labor* economy was clearly a struggle. As we saw in Part VIII of our series, per-capita income only rose significantly during the last half of the eighteenth century as the Industrial Revolution was well underway. By the early nineteenth century the rate of growth in per-capita income was rising dramatically.

The century following the Commutation Act of 1784 spanned this period of rapid growth. During that century, the tea market grew beyond the EIC's most optimistic projections. But at this time, China was the sole source of British tea. Only the Dutch were allowed to trade directly with Japan, and direct trade with China was tightly controlled. As we shall see in a later installment of *Reversals of Fortune in the Tea Industry*, by the early 1800s, trade with China was strained to the point of war.

Few realized in 1784 the significant role India would play in the tea trade, but by 1884 a third of British tea imports would come from India. Even before a single pound of India tea was produced, however, this populous subcontinent played a key role in the development of the British tea trade with China.

European traders had a long history of trading in India. As we noted in Part III of our series, Portugal was the first to establish trading posts along the coast of India. The Dutch, followed by the French and British soon followed, each vying for strategic positions along the Coromandel Coast, where trading was active. In 1702 the EIC constructed Fort William on the Hooghly River, near Calcutta. Calcutta quickly grew to be the center of British East India commerce.

According to the Oxford History of the British Empire (Vol. II):

At the beginning of the eighteenth century about 90 per cent of the Company's [EIC] cargoes were obtained from India. ... In Bengal, Calcutta, a town largely founded by the English, was growing very rapidly indeed. ... From the 1720s shipments through Calcutta usually amounted to at least half of the Indian cargoes.

In the early 1700s, the French East India Company's trade with India was roughly half that of the EIC. Things changed quickly after the French company was nationalized in 1720. According to Robert Harvey (*Clive, the Life and Death of a British Emperor*), the post-1720 French East India Company "turned into an instrument of national colonial expansion." France's agent of nationalization in India at the time was Joseph François Dupleix (1697-1764).

Dupleix had aspirations of conquering all of India for France, while plundering and pillaging in his own interests. So successful were his efforts that within a quarter century France was trading on equal terms with Britain and much of southern India was under French command. The EIC could no longer discount the possibility of eventual French supremacy in India.

The official position of Great Britain and the EIC in the early eighteenth century was to limit military action in India to the protection of their factories (trading posts). That position changed in 1756, the onset of the

*Seven Years' War.* As tensions mounted in Calcutta the British began preparing Fort William for possible attack.

The newly appointed Nawab (governor) of Bengal, Siraj ud-Daula, was just twenty years old, but already had a passionate dislike of foreign "intruders". Confronted by the reinforcement of Fort William, which he took to be a confrontational expansion of foreign presence, ud-Daula mounted an attack. After a lengthy battle, ud-Daula was victorious.

Reactions back home to the atrocities that followed the siege, including the imprisonment of a disputed number of British (including at least one woman and child) in the *Black Hole of Calcutta*, were strong. Eventually it became the rallying cry for a more aggressive (i.e., militaristic) approach to securing British interests in India. It was now clear to many that the EIC's future in India required not only repelling Dupleix, but also "installing" nawabs in India that were supportive of British interests.

The subsequent events that culminated in the creation of the British Raj are elucidated in the story of Robert Clive.

Clive, a rebellious and scrappy youth who fared poorly in school, had little chance of distinguishing himself in England. At the age of seventeen, his father arranged an interview for him with the East India Company on Leadenhall Street. The only entry-level position that could possibly be offered to someone like Robert was that of clerk. Luckily for Robert, turnover among clerks was high.

It is not clear how well Robert did during his interview, but he soon found himself embarking on a six-month voyage to Fort St. George on the Coromandel Coast of India.

For two years, young Robert suffered the boredom of his menial job. Externally he tried to stay positive, but there was a deep feeling of despair that haunted him. He later related an incident that happened during a particularly severe bout of depression: He

pointed a gun toward his head and pulled the trigger. The gun misfired, so he pulled the trigger a second time. The gun misfired again! Robert took this as a sign that his life would one day have meaning.

That day came shortly after Fort St. George was seized by French troops in September, 1746. A month later Dupleix arrived, dressed in military "finery" and mounted on a white horse. His commanding confidence was in sharp contrast to what he witnessed among the British.

This was not the last time Clive would see Dupleix easily overpower uninspired British troops, and he bristled at the humiliation. His natural instincts to fight rather than flee had caused him trouble in school back in England; they would serve him well in India.

Great Britain needed a fearless commander that would not run from the French. Clive left his position as clerk for a voluntary position in the military and quickly rose through the ranks. Dupleix would soon meet his match. In the words of Robert Harvey:

At a time when Clive could hardly have imagined he was destined for anything more than a trader, Dupleix had conceived the idea of a French empire in India, with him as Viceroy.

He came very close to succeeding and the British, through their lack of preparation and initial incompetence, to being driven out of India. That this did not happen was due to the emergence of a single English figure with a degree of boldness, leadership and guile that exceeded his: Robert Clive.

Ten years after his first encounter with Dupleix, Clive was called to Bengal to expel Siraj ud-Daula from Calcutta and avenge those who died in The Black Hole of Calcutta. His masterful victory at the Battle of Plassey, in the face of a vastly larger army, was the turning point for the British in India. Control of the entire subcontinent was no longer an option for France.

Our series on *Reversals of Fortune in the Tea Industry* will continue in the next issue of the *Upton Tea Quarterly*.