From Merchants to Sovereigns

The East India Company's Administrative Conquest of Bengal (1760–1770)

A Diagnostic of the 1812 Fifth Report on EIC Affairs

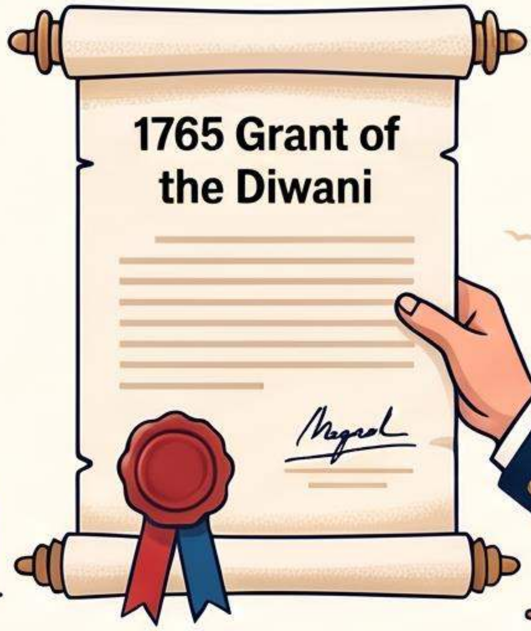
Criminological Insights

By Dr. Mridul Srivastava

The Merchant State: The East India Company’s Fiscal Takeover of Bengal (1760–1770)

The Transition to Territorial Power

The “Mask” of Sovereignty



Lord Clive maintained a “shadow” of local rule to avoid provoking European rivals while the EIC held actual power.

The Company acquired legal rights to the revenues of Bengal, Bihar, and Orissa from the Mughal Emperor.

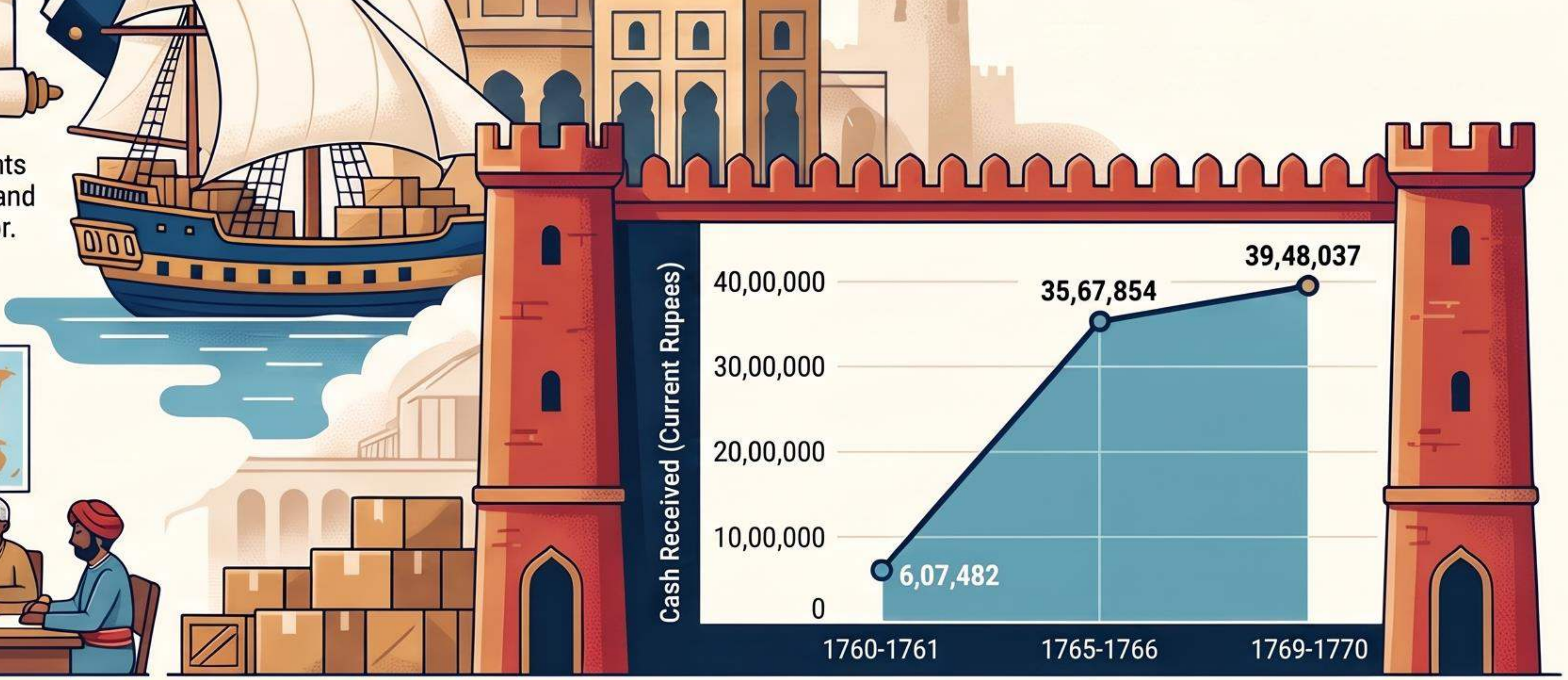
From Merchants to “Supravisors”

English officials were appointed to overlook local collectors, eventually leading to **direct Company administration** of the treasury.

Revenue Management and Financial Impact

The Failed “Outcry” System

Public auctions for revenue collection rights often led to exorbitant bids, ruining local families and leaving land uncultivated.



Net Revenue Growth in Burdwan (1760–1770)

Following the EIC's takeover, cash receipts in Burdwan increased from **6,07,482** to nearly **40,00,000 Rupees** within a decade.

The Imperial Ledger

Historical consulting diagnostic slide

Phase 1: The Laboratory (1760–1764)

The Ceded Lands.
Early, crude attempts at direct revenue extraction and the **failure of "The Outcry".**

Phase 2: The Mask (1765–1768)

The Grant of the Diwani.
The "Dual System" of governing through the fiction of **native authority** to avoid geopolitical scrutiny.

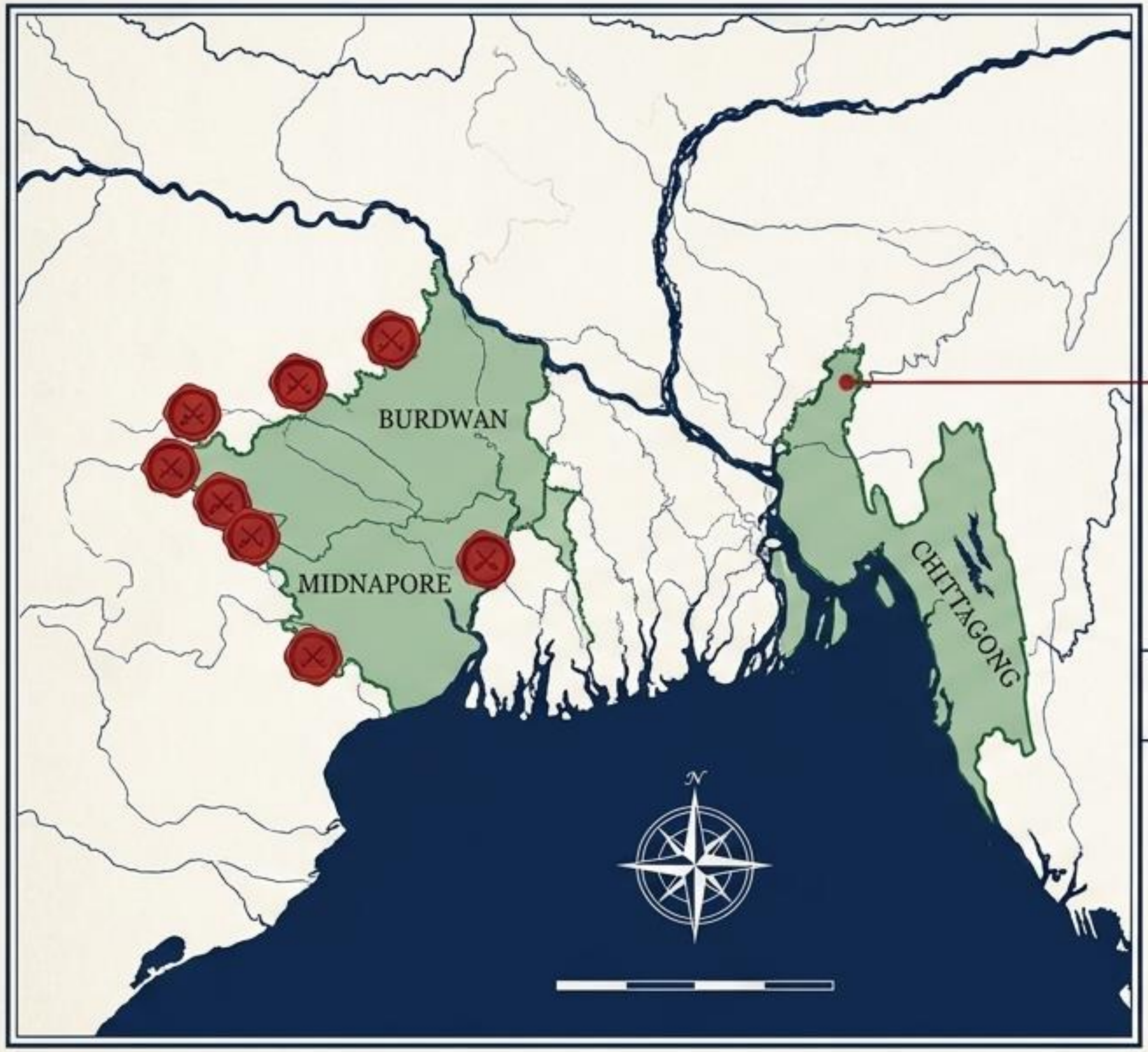
Phase 3: The Reformation (1769+)

The breaking point.
Economic collapse forces the EIC to abandon the mask and dispatch English '**Supra-visors**' to administer directly.

The Company was forced into sovereignty because mercantile extraction without civic responsibility resulted in economic self-destruction.

The Imperial Ledger

1760: The Ceded Lands Laboratory



Context:
Mir Kasim cedes three districts to the EIC to defray military expenses.

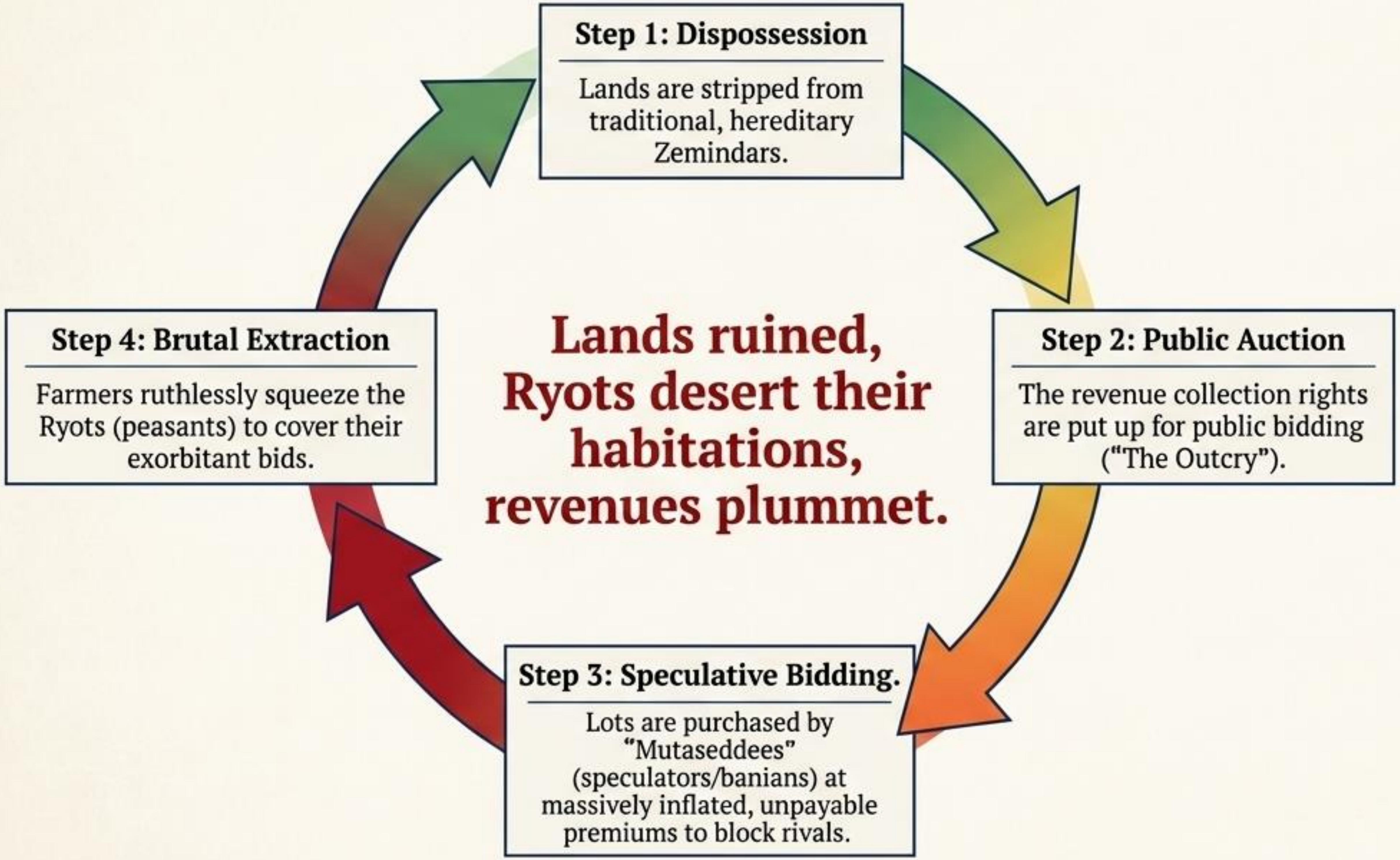
The Reality on the Ground:
EIC officials immediately clash with traditional power structures.

Resistance:

English forces face fierce resistance from native chiefs, described as “rebellious freebooters,” and their subjects as “chuars... bred up as much for pillaging as cultivating.”

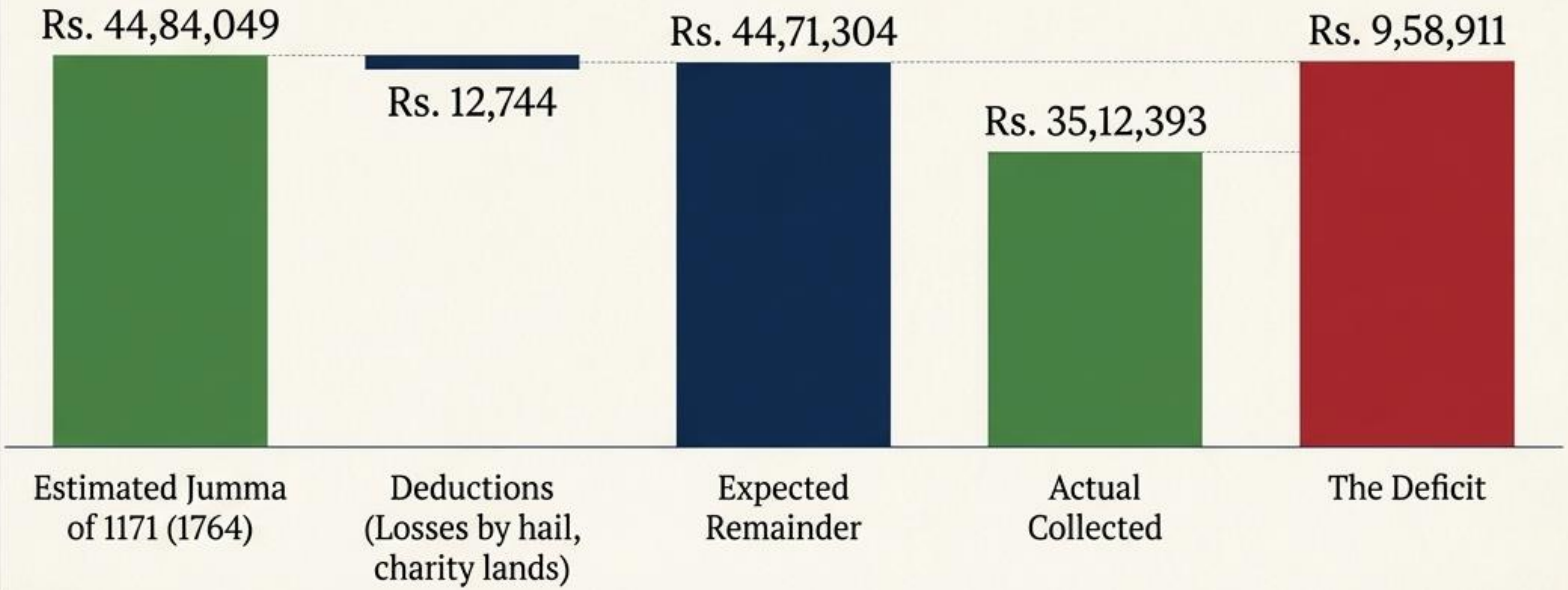
The EIC quickly realizes territorial control requires immense military exertion just to secure basic revenue collection.

The Mechanism of Extraction: ‘The Outcry’



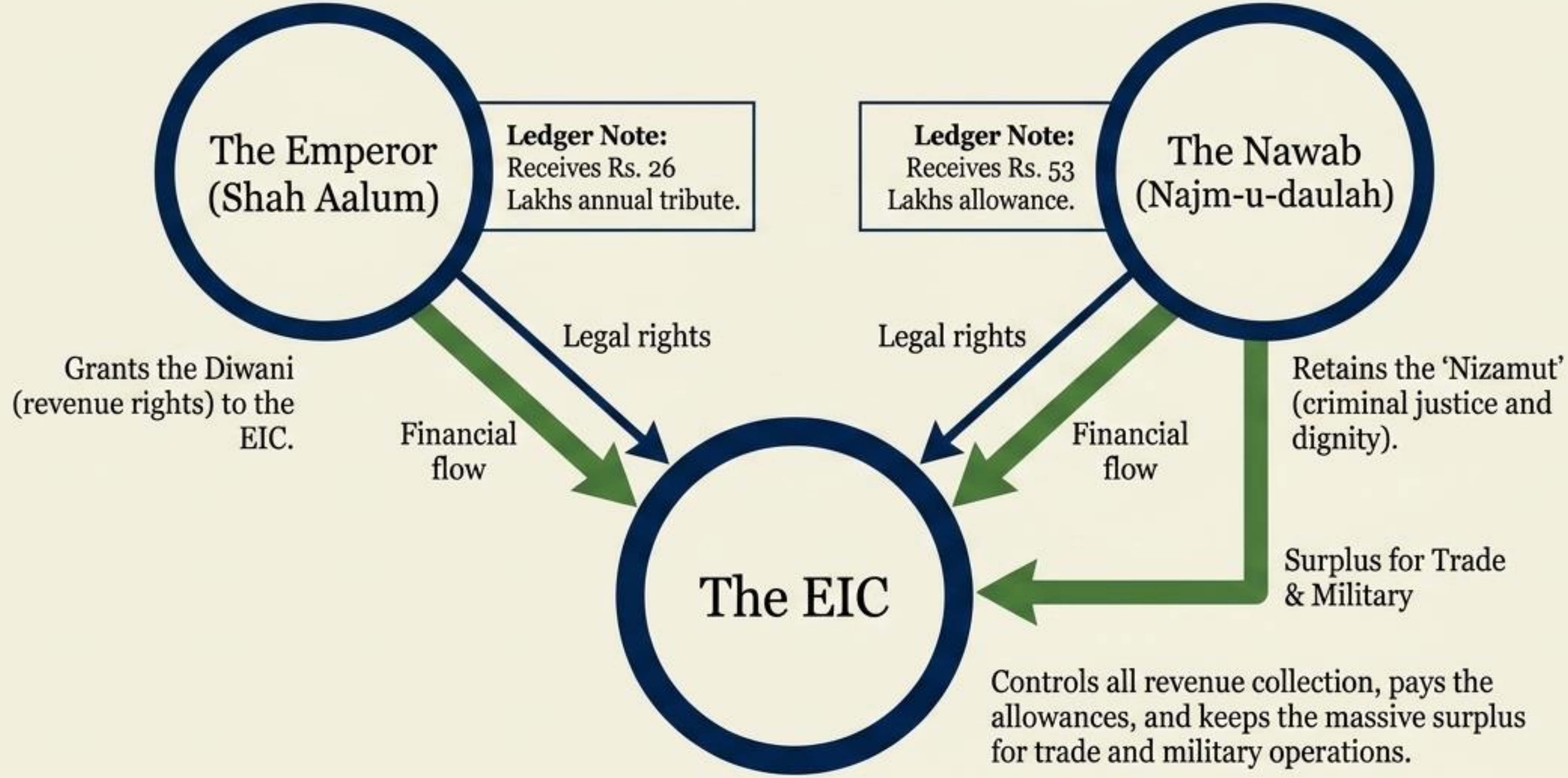
"an auctioneer who puts no reserved limit on his lots... is hardly in a position to claim that he is cheated, if after he has accepted a bid the the supposed paste jewels prove to be real diamonds.”

The Data of Decline: Burdwan (1764)



The public sales revealed the value of the lands but proved that pushing collection to the absolute limit left massive, unrecoverable balances. The expected revenues were exposed as merely chimerical.

1765: The Grant of the Diwani



By this grant, the Company absorbed the 'skin and the pulp' of Bengal, leaving the Nawab as merely a convenient shell.

‘The Mask’: Clive’s Dual System

“This name, this shadow, it is indispensably necessary we should seem to venerate.”

The Fiction: Nawab’s Authority

The Reality: EIC Control

Why the Charade?

1. Foreign Jealousy:	2. Domestic Scrutiny:	3. Administrative Capacity:
To prevent the French, Dutch, or Danes from refusing to acknowledge EIC sovereignty and refusing to pay trade duties.	To hide the sheer scale of the territorial acquisition from the British Parliament, averting government intervention.	The EIC lacked the trained English civil servants necessary to collect revenues directly.

De Jure vs. De Facto Power (1765–1769)

Domain	The Fiction (De Jure)	The Reality (De Facto)
Revenue	Collected by the Naib Diwan (Muhammad Riza Khan) in the Nawab's name.	The English Resident at the Durbar dictates all policy, controls the treasury, and audits the Naib Subah.
Criminal Justice	Solely the domain of the Nawab and native magistrates.	EIC sets up a "Council of Control" at Murshidabad to supervise even criminal proceedings.
Military	The Nawab maintains forces for the defense of the realm.	The Nawab's army is practically disbanded; EIC Supreme Military power is vested entirely in the Select Committee.

The Inherited Machinery: The Local Bureaucracy

EIC Residents were thrust into overseeing highly specialized local courts.

The English Resident

Sudder Cutcherry

Administers land-rents, revenues, and landlord-tenant disputes.

Fouzdarry

Sole jurisdiction over criminal matters and capital offenses.

Buxey Dustore

Superintendence of guards, forces, and peacekeeping.

Bazee Zemin Dustore

Administration of charity lands and public supports.

EIC officials, trained as merchants, were entirely unequipped to manage this intricate legal and social ecosystem.

The Crisis of the Dual System

The “Festina Lente” Policy:

The EIC explicitly ordered servants to “hurry slowly” and avoid direct intervention in the Nawab’s business.

Descending Staircase

Step 1: Divided Authority
Native officers rule the countryside; English officers observe but cannot legally intervene.

Step 2: Unchecked Exploitation
Without EIC protection, native agents (Aumils) enforce arbitrary taxes and fines.

Step 3: The Accountability Vacuum
English officials, constrained by “the primitive characters of merchants with most scrupulous delicacy,” turn a blind eye.

“Such a divided and complicated authority gave rise to oppressions and intrigues unknown at any other period.”

The Human Cost & The Realization (1769)

By 1769, the sheer devastation of the peasantry threatens the EIC’s investment. Richard Becher, Resident at the Durbar, writes a scathing indictment to Governor Verelst.

“It must give pain to an Englishman to have reason to think that since the accession to the Dewanee the condition of the people of this country has been worse than it was before... This fine country... is in a declining state.”

The Diagnosis:

Becher identifies the “destructive scheme of adding demand on demand” and the extortion by temporary Aumils (who had no natural connection to the land) as the root cause of the ruin.

Verelst's Pivot: From Masque to Management (1769)

The Masque (Pre-1769)

Doctrine: Non-interference / "Festina lente"

Method: Farming system, public auctions, native Aumils.

Result: Blind extortion, hidden land values.

Direct Administration (1769+)

Doctrine: Information & Control

Method: Appointing English "Supra-visors" to local districts.

Result: Tearing down the "barrier betwixt us and the native" to root out corruption.

Takeaway: The Court of Directors finally abandoned their reluctance, ordering servants to proceed from merely receiving revenues at Murshidabad to active, local management.

The Mandate of the Supra-visors

The Imperial Ledger

Quadrant 1: Information (The Hustabood)

Demand a true valuation of lands. Discover the real rent capacity, bypassing the fraudulent ledgers of the Mutaseddees.

Quadrant 2: Ryot Protection

Abolish arbitrary taxes (Matote) and prevent extortion by establishing fixed leases.

Quadrant 3: Judicial Reform

Intervene in the corrupt Fougedary courts to prevent the "honourable practice of fining for crimes" which enriched magistrates but bypassed justice.

Quadrant 4: Bypass Middlemen

Remove temporary, predatory Aumils and deal directly with hereditary Zemindars who had a "natural interest in the welfare of their districts."

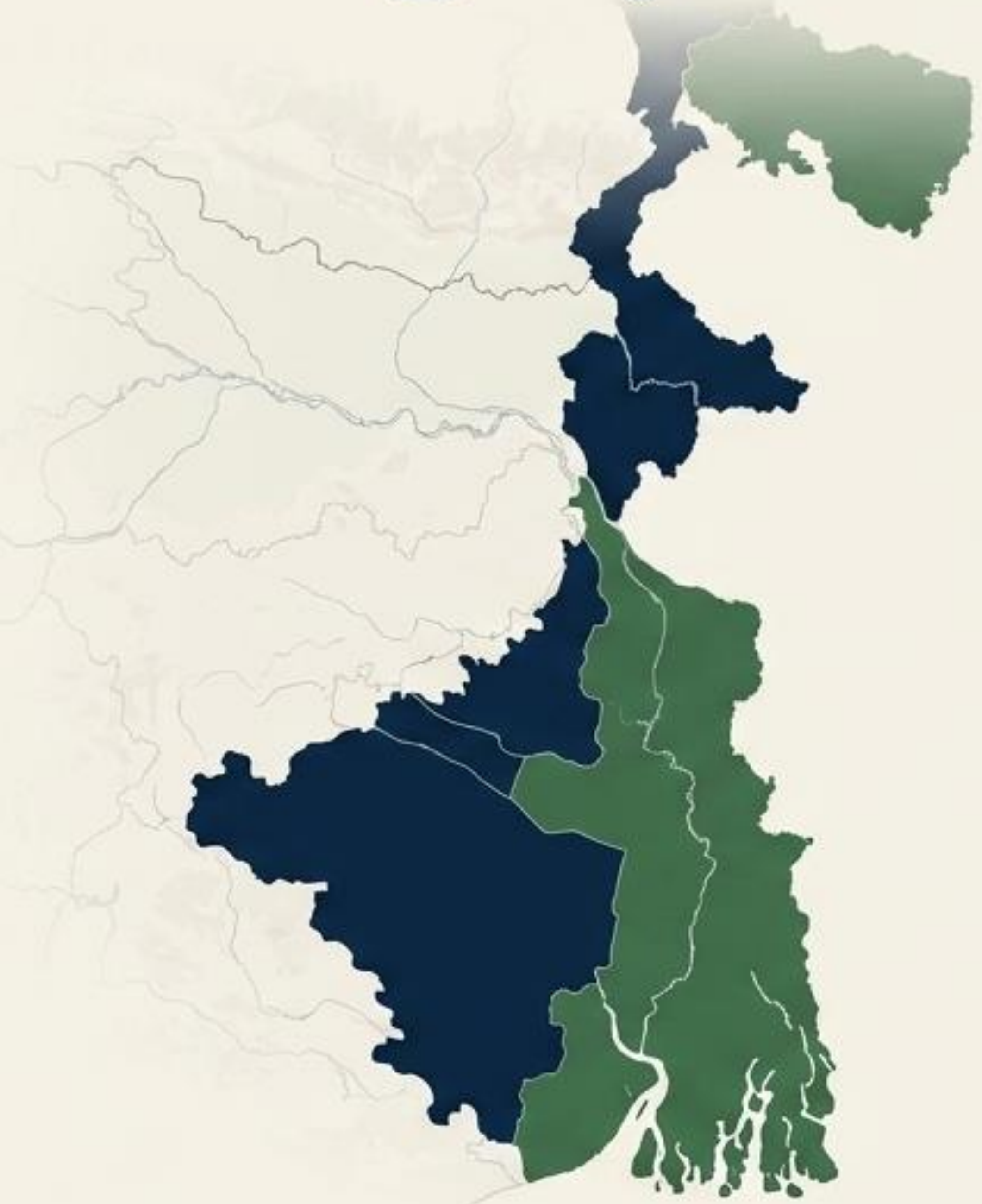
Synthesis: The Evolution of Imperial Policy

	1760–1764 (The Experiment)	1765–1768 (The Mask)	1769+ (The Reformation)
Primary Goal	Short-term maximum extraction	Geo-political cover & treasury surplus	Long-term agrarian stability.
Administrative Vehicle	Public Auctions ('The Outcry')	Dual System (The Nawab's Shadow)	English Supra-visors (Direct Admin).
View of Locals	Competitors to be bypassed	Corrupt proxies to be tolerated	Subjects requiring direct protection.
The Inevitable Outcome	Ruination of hereditary Zemindars	Accountability vacuum & economic collapse	**The birth of the sovereign bureaucratic state.**

The Inevitability of Sovereignty

The East India Company did not conquer Bengal with a master plan for governance. They were dragged into statecraft because the mathematics of empire demanded it.

The years between 1760 and 1770 proved that a corporation could not extract sovereign revenues without assuming sovereign responsibilities. The ‘Mask’ of the Nawab had to fall for the Imperial Ledger to balance.



This decade of trial, error, and immense human cost laid the unavoidable groundwork for the formalized British Raj.