

Identifies standards for organizational leaders through examination of cases where accountability was/is flawed or missing. Suggests remedies to improve accountability of those at the top of business, governmental and other organizations.

Too Big?

How To Tell and How To Get More Accountability

by Bruce D. Thatcher

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POWER

CORRUPTION

CONTROL



TOO BIG?

How To Tell and
How To Get More Accountability

Bruce D. Thatcher

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To The Reader

Sages from down through the ages tell us that those who fail to learn the lessons of history are doomed to repeat it. But, such lessons are often hard to get at; they're obscured within a great mass of historical detail. *Too Big?* is designed to make it easy for you to get its lessons, regardless of how limited or not your time may be. Try one of these approaches:

Take-Away Synopsis

Read just the Preface, Chapter 21 (Conclusions) and Chapter 22 (What To Do About It) to get a complete articulation of the lessons.

Add Summary Background

To the Preface and Chapters 21 and 22, add the Executive Summaries preceding each case to see how power without significant accountability has corrupted talented leaders of five organizations and led to unnecessary evils.

Detailed Validation

Read the whole book, but skip the Executive Summaries. The historical narrative and Analysis and Discussion for each case add details and documentation to provide a complete picture.

Understanding history's lessons won't guarantee that we'll make the best choices today or in the future. But, understanding these lessons will make us better able to reject demonstrated bad choices and, thus, more likely arrive at better decisions.

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Case 1:
Robert Clive/East India Company



Chapter 1: Executive Summary

At its formation, EIC founders invested “for the honour of our native country and for the advancement of trade and merchandise within this realm of England.” In addition to these strictly commercial purposes, in 1600 the official Charter of the East India Company included “authority to rule territories and raise armies.”

Such authority lay dormant for almost a century until, in the 1680s, a new Director of EIC in India decided to militarily force the Mughals to accept his dominance. He arranged for English warships and soldiers to sail to Bengal for that purpose. However, the Mughal war machine swept them away, captured and closed many EIC factories and expelled the East India Company from Bengal. After several years, in 1690, the Mughal emperor allowed EIC to return.

Corruption in the service of Company interests had by then become standard practice. By 1693, in London, the East India Company was routinely buying members of Parliament, ministers, the Solicitor General and the Attorney General. Investigation found “EIC guilty of bribery and insider trading and led to the impeachment of the Lord President of the Council and the Imprisonment of the Company’s Governor.”

In 1700, the East India Company began to enforce its will arbitrarily in India. By 1701, a Mughal governor was complaining EIC had rendered “no account of their administration ... nor had they accounted for the revenues from tobacco, betel, wine et cetera.” EIC responded that if the governor was harsh and overtaxed them, they would move EIC operations elsewhere.

Nine years later they took up arms.

... factors of Fort St David ... laid waste to fifty-two towns and villages along the Coromandel coast, killing innocent villagers and destroying crops ... perhaps the first major act of violence by Englishmen against the ordinary people ... The Directors in London approved of the measures taken ...

In Bengal, Murshid Quli Khan had also become disgusted by the rudeness and bullying of ... (EIC) officials in Calcutta and wrote to Delhi ...

“When they first came to this country they petitioned ... in a humble manner for the liberty to purchase a spot of ground to build a factory house upon, which was no sooner granted but they ran up a strong fort ... They rob and plunder and carry a great number of the king’s subjects of both sexes into slavery.”

In 1743, at the age of 18, Robert Clive was sent to Madras in the service of the East India Company.

The Company was then purely a trading corporation ... rent was paid to the native governments. Its troops were scarcely numerous enough to man the batteries of three or four ill-constructed forts, which had been erected for the protection of the warehouses. The business of the servants of the Company was ... to take stock, to make advances to weavers, to ship cargoes, and above all to keep an eye on private traders ... the younger clerks were so miserably paid that they could scarcely subsist without incurring debt; the elder enriched themselves by trading on their own account; and those who lived to rise to the top of the service often accumulated considerable fortunes.

Clive arrived at Madras in 1744. The next year, during the War of the Austrian Succession, he was trained to fight and became lieutenant of a Company of infantry. When the war ended in 1749, continuing French harassment led EIC Directors in London to give orders “to make yourselves as secure as you can against the French or any other European Enemy.”

In 1751 a Mughal French ally besieged his British-connected rival in the fortress of Trichinopoly and effectively isolated Madras. Clive by then had been promoted to Captain and given charge of two hundred English soldiers and three hundred sepoy. They attacked the Mughal camp by surprise, slaughtered many, dispersed the rest and returned to quarters. But Clive knew the victory was temporary. To relieve the siege he attacked Arcot, the capital of the Carnatic. The battle of Arcot continued for months. By November, Clive and his sepoy won. Madras was secure.

Soon after, Clive married and returned to England as a hero. He had accumulated a small fortune while commissary to the British troops.^a However, he blew most of the money on high living. He even bought a seat in Parliament, but political opposition prevented his keeping it.

In 1755, Clive rejoined the East India Company, which appointed him governor of Fort St. David in India. Also, the King commissioned him lieutenant-colonel in the British Army, and he sailed for Madras.

In 1756 the Mughal nawab of Bengal captured EIC's fort at Calcutta; news of Calcutta's capture reached Madras in August. With 900 English and 1,500 Indian sepoy, Clive sailed with Admiral Charles Watson to Bengal and retook Calcutta on January 2, 1757.

On 3 January, Clive declared war on Siraj ud-Daula in the name of the Company; Watson did the same in the name of the Crown. It was the first time that the EIC had ever formally declared war on an Indian prince.

By February 5th Clive and Watson had defeated Siraj ud-Daula. The Treaty of Alinigar signed on February 9 restored all the Company's privileges, paid compensation, allowed EIC to re-fortify Calcutta and establish a mint.

^a Such commissaries functioned as middlemen, buying supplies and reselling them to the military/navy, usually at grossly-inflated prices.

Clive and Watson were eager to return to Madras, but news of the new ‘Seven Years War’ in Europe had reached Watson. He was ordered to attack French interests, so the two forces remained in Bengal. They attacked a French trading colony north of Calcutta and ousted the French.

Soon after, Clive was asked by Mīr Ja‘far, a general in the Nawab of Bengal’s regime, for Company aid in a coup against the Nawab. He “offered the Company the vast sum of 2.5 crore” (£812.5 million, today). The planned coup was, in reality, a conspiracy of Bengal bankers and merchants and parts of the Nawab’s military. EIC forces would defeat the Nawab and install the general as the new Nawab of Bengal.

... the EIC men on the ground were ignoring their strict instructions from London, which were only to repulse French attacks and avoid potentially ruinous wars with their Mughal hosts. But seeing opportunities for personal enrichment as well as political and economic gain for the Company, they dressed up the conspiracy in colours that they knew would appeal to their masters and presented the coup as if it were primarily aimed at excluding the French from Bengal forever.

This is a crucial point. In as far as the EIC, in the shape of its directors, officers and most shareholders, had a corporate will at all, it was for trade yielding maximum profits and a large and steady dividend for themselves and their investors ... the investors consistently abhorred ambitious plans of conquest ... the great schemes of conquest of the EIC in India very rarely originated in Leadenhall Street (EIC’s headquarters). Instead, what conquering, looting and plundering took place was almost always initiated by senior Company officials on the spot, who were effectively outside metropolitan control.

It worked. Clive defeated the Nawab on June 23 at the Battle of Plassey. He placed the general on the throne. Clive was appointed British (EIC) Governor of Bengal.

In compensation for losses to EIC and Calcutta citizens, the conspirators paid Clive – “in modern terms, around £232 million, of which £22 million was reserved for Clive.” The new Nawab also gave Clive £234,000 in cash, a Mughal title of nobility, and an estate paying annual rental of about £30,000. A flood of corruption thus began.

Clive returned to England in 1760 as a hero. He was made Baron Clive of Plassey in 1762 and was knighted in 1764. He became a member of Parliament, purchased an estate, and tried (unsuccessfully) to carve out a political career.

But Clive was not universally popular at India House, East India Company’s London headquarters. One of the EIC directors “remembered with bitterness the audacity with which (Clive) had repeatedly set at nought the authority of the distant Directors of the Company.” So, the Directors moved to confiscate the grant of rent from Mir Ja‘far, Clive was forced to take them to court. Meanwhile,

The internal misgovernment of (EIC in India) had reached such a point that it could go no further. What, indeed, was to be expected from a body of public servants exposed to temptation such that ... flesh and blood could not bear it, armed with irresistible power, and responsible only to the corrupt, turbulent, distracted, ill-informed Company, situated at such a distance that the average interval between the sending of a despatch and the receipt of an answer was above a year and a half? Accordingly, during the five years (after) the departure of Clive from Bengal, the misgovernment of the English was carried to a point such as seems hardly compatible with the very existence of society.

East India Company again turned to Clive, appointing him Governor and commander in chief of Bengal. Arriving in Calcutta on

May 3, 1765, he found that the whole Bengal administration was in chaos.

Almost immediately, Clive replaced the Calcutta Council with men he brought from Madras. EIC employees were ordered not to receive significant gifts except by Clive's consent.

Clive installed a puppet Emperor of all Bengal. In return, the Emperor granted East India Company legal authority to collect and spend taxes throughout Bengal and Bihar, sending the Emperor only an annual tribute. Police and magisterial power remained the province of the Nawab of Bengal, who 'assigned' EIC to act for him. Thus the Company became the virtual ruler of India's two richest provinces.

Clive returned to England in 1767. In 1772, Parliament passed the *East India Company Act 1772* to overhaul EIC management. Provisions included:

- Annual dividends, which had often exceeded 100 percent, were limited to 6 percent until all debts were paid.
- Company agents in India were prohibited from engaging in any private trade or accepting presents or bribes from the "natives".
- Warren Hastings was appointed Governor General of Bengal, Bombay and Madras.

Investigations uncovered corruption within EIC, and Clive was named as instigator of the corruption. He defended himself in Parliament and, in 1773, "Parliament declared that he did render great and meritorious services to his country." A year later, in 1774, Robert Clive died by his own hand, probably suicide.

It can be argued that the East India Company tacitly approved of Robert Clive's actions, from which they profited greatly. But it was the lack of effective accountability that enabled Clive to enrich himself without regard to Company directives or to the hurt and harm done to

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Indian people. Most of the five critical accountability conditions were absent in Robert Clive's relationship with the East India Company.

Many of these flaws might have been eliminated had the Company established a single person at headquarters to have executive responsibility for EIC's Indian operations, to whom Robert Clive would then have reported. But the communications time delay would have remained.

Chapter 2: Anarchy and Corruption

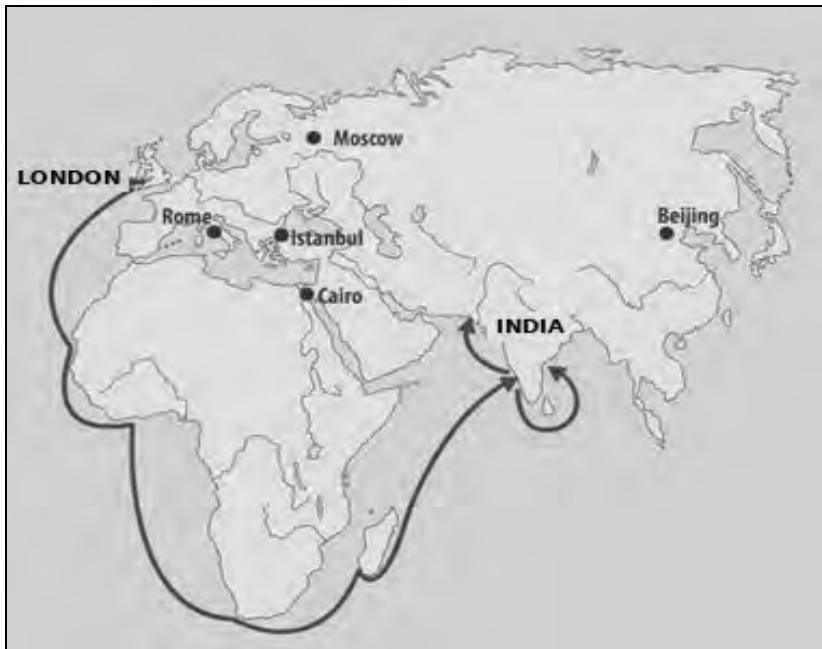


Figure 2-1. The East India Company's trade and communication route between London and India. Sailing times ranged from eight months to a year in each direction.

The East India Company began September 24, 1599, in London as one of the world's first joint stock companies. On that day 101 investors pledged around £30,000 “for the honour of our native country and for the advancement of trade and merchandise within this realm of England.”^a A petition for charter was immediately sent to Queen Elizabeth's Privy Council. On December 31, 1600, the ‘Governor and

^a *The Anarchy; The East India Company, Corporate Violence, and the Pillage of an Empire*, Chapter 1, William Dalrymple.

Company of Merchants of London trading to the East Indies' received a Royal Charter. Among its grants to the East India Company were freedom from customs for the first six voyages, a 15-year monopoly over British trade to the East Indies, and authority to rule territories and raise armies.

The East India Company would become, at its peak in the nineteenth century and with operations on every known continent, the most powerful corporation in history. It controlled almost half the world's trade. By 1857 its three presidency armies in India numbered 271,000 officers and mostly Indian soldiers (sepoys), which was more than twice as large as the United Kingdom armed forces.

EIC's principal competitors were chartered by four European powers: Portugal, Holland (Dutch United Provinces). Denmark and France.

Portugal's Vasco da Gama reached the Indian subcontinent and landed at Calicut in May 1498. Portugal established regular trade routes between Europe, India and the far east. The **Portuguese State of India** was founded six years later. Its capital at present-day Cochin was the governing center of Portuguese fortresses and settlements scattered along the Indian coasts and throughout the Indian Ocean. Portugal never developed significant trade with the interior of India. The last Portuguese territory in India was transferred to the Indian government in 1974.

In 1605 the **Dutch East India Company** established a trading outpost at Pulicat. The company ultimately traded textiles, gemstones, indigo, silk, saltpeter, opium and pepper from the Indian subcontinent. It also traded in Indian slaves, which it sold in the Spice Islands and in the Dutch Cape Colony. In the second half of the eighteenth century the Dutch lost much of their influence and, by 1825, their last trading posts in India.

In March 1616, the King of Denmark-Norway issued a charter creating a **Danish East India Company**. Its first expedition reached

India in May 1620, and a treaty signed in November granted rights to build a fort and levy taxes. Early trade was not profitable, so the company was dissolved. A new Danish East India Company formed in 1670, and several commercial outposts were established. In 1729, the King forced the Company to loan him money, which he didn't repay. That and inconsistent Indian trade forced the Company into bankruptcy. Trade continued, but by 1869 Danish presence and trade in India ended.

The **French East India Company** established its first French factory (trading center) in India at Surat in 1668. Until 1741, the Company's objectives were purely commercial. That year French India got a new governor who wanted to establish a territorial empire in India. His hopes ended in 1754 after a defeat by British East India Company forces. Fighting between EIC and the French continued until, in 1769, the by then unprofitable French East India Company was abolished by the French Crown, which assumed administration of French possessions in India.

Fighting between EIC and the French continued intermittently until the end of the Napoleonic wars in 1816. After Indian independence in 1947 French territories in India were gradually transferred to India; the last came under effective India rule in 1954.

Four ships sailed out of London for India in February 1601 to begin the first voyage of the British **East India Company**. In mid-1602 the fleet landed at Aceh and negotiated a deal with the Sultan. Returning to London the fleet attacked a Portuguese ship and added its load of spices to those obtained from the Sultan. It arrived home in mid-1603 with 900 tons of pepper, cinnamon and cloves plus the spices bought in Aceh.^a

^a Ibid.

EIC struggled to trade in the East Indies against the formidable Dutch. So it shifted its focus to fine cotton textiles, indigo and chintzes from India. The Company landed at Surat in 1608 and began to establish a relationship with the ruling Mughal Emperor. It took years, but in 1615 the Mughal authorized the building of a trading center (factory) at Surat. Thus began a centuries-long partnership between EIC and Mughal emperors for jewels, pepper, textiles and saltpeter. EIC began using and transporting slaves a few years later.

Beginning in the early 1620s, the East India Company began using slave labour ... Although some of those enslaved by the company came from Indonesia and West Africa, the majority came from East Africa ... and were primarily transported to the company's holdings in India and Indonesia. Large-scale transportation of slaves by the company was prevalent from the 1730s to the early 1750s and ended in the 1770s.^a

After two unsuccessful ventures, EIC negotiated successfully in 1632 to build a settlement with a fort and 'castle' at Madras, with no customs duties to be charged for 30 years.

Soon weavers and other artificers and traders began pouring in. Still more came once the fort walls had been erected ... the people up and down the coast were looking for exactly the security and protection the Company could provide.

Before long Madras had grown to become the first English colonial town in India with its own small civil administration ... and a population of 40,000. By the 1670s the town was even minting its own gold 'pagoda' coins.^b

The second English settlement in India was the island of Bumbay (Bombay), which England captured from Portugal and turned over to

^a Encyclopædia Britannica, East India Company.

^b *The Anarchy; The East India Company, Corporate Violence, and the Pillage of an Empire*, Chapter 1, William Dalrymple.

the East India Company. Settlement (finally) began in 1665. Within 30 years Bombay had a colonial population of 60,000.

In the 1680s a new Director was appointed head of EIC in India. He decided to militarily force the Mughals to accept his dominance. Bad decision. In 1686, English warships with cannons and soldiers sailed to Bengal. The Mughal war machine swept them away. Soon EIC factories at many locations had been captured, EIC had been expelled from Bengal, the Surat factory was closed and Bombay was blockaded.

In 1690 the Mughal emperor finally let the Company come back. That same year EIC bought the future site of Calcutta.

By 1693, back in London, East India Company was regularly bribing parliamentarians, ministers, the Solicitor General and the Attorney General. Investigation found “the EIC guilty of bribery and insider trading and led to the impeachment of the Lord President of the Council and the Imprisonment of the Company’s Governor.”^a It was a harbinger of things to come.

In 1700, India, under Mughal Emperor Aurangzeb, account(ed) for 27 per cent of the world economy.^b However, because of warring among Indian rulers, Mughals no longer could exercise firm control. The East India Company began to enforce its will arbitrarily. In 1701, a Mughal governor complained that the Madras Council had rendered “no account of their administration ... nor had they accounted for the revenues from tobacco, betel, wine et cetera.”^c EIC’s response was that if the governor was harsh and overtaxed them, they would move the EIC operations elsewhere. Nine years later they took up arms.

In response to ... a short siege by the Mughar (fort keeper) of Jinji, the factors of Fort St David, a little to the south of

^a Ibid.

^b *Inglorious Empire; What the British Did to India*, Timeline, Shashi Tharoor.

^c *The Anarchy; The East India Company, Corporate Violence, and the Pillage of an Empire*, Chapter 1, William Dalrymple.

Madras ... rode out of their fortifications ... broke through Mughal lines and laid waste to fifty-two towns and villages along the Coromandel coast, killing innocent villagers and destroying crops containing thousands of pagodas of rice awaiting harvest ... perhaps the first major act of violence by Englishmen against the ordinary people ... The Directors in London approved of the measures ...

In Bengal, Murshid Quli Khan had also become disgusted by the rudeness and bullying of ... (EIC) officials in Calcutta and wrote to Delhi ...

“When they first came to this country they petitioned ... in a humble manner for the liberty to purchase a spot of ground to build a factory house upon, which was no sooner granted but they ran up a strong fort ... and mounted a great number of guns upon the walls. They have enticed several merchants and others to go and take protection under them and they collect a revenue which amounts to (over £1 million today) ... They rob and plunder and carry a great number of the king’s subjects of both sexes into slavery.”^a

But the Mughal Empire was occupied with more serious concerns – civil wars and invading Persians. By 1737-1739 the empire was fragmenting and its treasury had been carried off by Persians.

The coastal area from north of Madras southward was a dependency within the Mughal Empire generally known as the Carnatic. A series of three wars were fought among regional rulers for succession and territory between 1742 and 1763. The French intervened in 1742 and, over the next seven years, increased their effective hold on the area. Their success would be checked in 1751 by EIC forces led by Robert Clive, the first British administrator of Bengal. During the Seven Years’ War of 1756-1763, both France and England sent forces to India; the British and their Indian allies won. EIC took

^a Ibid.

control of the Carnatic through its nawab,^b who became indebted to the East India Company and to its individual officers.

Robert Clive was born September 29, 1725, in Shropshire, England. In 1743, at the age of 18, he was sent to Madras in the service of the East India Company.

Some lineaments of the character of the man were early discerned in the child ... "Fighting," says one of his uncles, "to which he is out of measure addicted, gives his temper such a fierceness and imperiousness, that he flies out on every trifling occasion" ... he formed all the idle lads of the town into a kind of predatory army, and compelled the shopkeepers to submit to a tribute of apples and half-pence, in consideration of which he guaranteed the security of their windows. He was sent from school to school ... gaining for himself everywhere the character of an exceedingly naughty boy ... the general opinion seems to have been that poor Robert was a dunce, if not a reprobate. His family expected nothing good from ... such a headstrong temper. It is not strange therefore, that they gladly accepted for him, when he was in his eighteenth year, a writership in the service of the East India Company, and shipped him off to make a fortune or to die of a fever at Madras.

The Company was then purely a trading corporation. Its territory consisted of a few square miles, for which rent was paid to the native governments. Its troops were scarcely numerous enough to man the batteries of three or four ill-constructed forts, which had been erected for the protection of the warehouses. The natives ... were armed, some with swords and shields, some with bows and arrows. The business of the servants of the Company was ... to take stock, to make advances to weavers, to ship cargoes, and above all to keep an eye on private traders who dared to infringe the monopoly. The younger clerks were so miserably paid that they could scarcely subsist without

^b Deputy ruler, or viceroy, under the Mughal rule of India. The title was later adopted by independent rulers of Bengal, Oudh and Arcot.

incurring debt; the elder enriched themselves by trading on their own account; and those who lived to rise to the top of the service often accumulated considerable fortunes.^a

Robert Clive arrived at Madras in 1744, and spent the next two years as a glorified assistant shopkeeper, tallying books, quarreling with fellow employees, and arguing with suppliers of the East India Company.

He was lonely, homesick and miserable ... (and) developed a profound hatred for India that never left him ... Within a year ... he turned his innate violence on himself and attempted suicide.

What he did have ... was a streetfighter's eye for sizing up an opponent, a talent at seizing the opportunities presented by happenchance, a willingness to take great risks and a breathtaking audacity. He was also blessed with a reckless bravery; and, when he chose to exercise it, a dark personal magnetism that gave him power over men.^b

In September 1745, during the War of the Austrian Succession, French forces besieged and captured Madras. Clive escaped and made his way to Fort St. David, where he was trained to fight and became lieutenant of a Company of foot (infantry).

When the war ended in 1749, Madras was restored to the English. Nevertheless, continuing French harassment led EIC Directors in London to declare to its operatives in India,

Experience has proved that no regard is paid by the French to the neutrality of the Mogul's Dominions, and ... You have orders to make yourselves as secure as you can against the French or any other European Enemy ... His Majesty will support the Company in whatever they may think fit to do

^a *Macaulay's Essay On Robert Clive, III*, Thomas Babington Macaulay.

^b *The Anarchy; The East India Company, Corporate Violence, and the Pillage of an Empire*, Chapter 2, William Dalrymple.

for their future Security; for though a Peace is now made with France, no one knows how long it may last^a

The French fomented and intervened in civil wars among Mughals. They achieved effective control of the Carnatic coast. In 1751 Mughal viceroy (governor) Chanda Sahib, an ally of the French, besieged his British-connected rival, Muḥammad Ali, in the fortress of Trichinopoly. Madras was effectively isolated by 1751.

Clive was now twenty-five years old. After hesitating for some time between a military and a commercial life, he had at length been placed in a post which partook of both characters, that of commissary to the troops, with the rank of captain ... He represented to his superiors that unless some vigorous effort were made, Trichinopoly would fall ... and the French would become the real masters of the whole peninsula of India. It was absolutely necessary to strike some daring blow. If an attack were made on Arcot, the capital of the Carnatic, and the favourite residence of the Nabobs, it was not impossible that the siege of Trichinopoly would be raised ... The young captain was put at the head of two hundred English soldiers, and three hundred sepoy ... Clive pushed on ... to the gates of Arcot. The garrison, in a panic, evacuated the fort, and the English entered it without a blow.

But Clive well knew that he should not be suffered to retain undisturbed possession of his conquest. He instantly began to ... make preparations for sustaining a siege. The garrison ... having been swelled by large reinforcements from the neighbourhood to a force of three thousand men, encamped close to the town. At dead of night, Clive marched out of the fort, attacked the camp by surprise, slew great numbers, dispersed the rest, and returned to his quarters without having lost a single man.^b

^a Ibid, Chapter 1.

^b *Macaulay's Essay On Robert Clive*, XV, Thomas Babington Macaulay.

The battle of Arcot continued for months. French forces and their Mughal allies besieged Clive and his forces. Clive attacked and besieged the French-Mughal forces. By November 1751 the English and their sepoy won. Madras was secure.

Soon after, being in very poor health, Clive married and returned to England as a hero. He had accumulated a small fortune while commissary to the British troops, some of which he spent on his family. However, he blew most of the money on high living. He even bought a seat in Parliament, but political opposition prevented his keeping it.^a

The French and Indian Wars in America had begun in late 1752. By 1755, many in Europe presumed that a broader war between England and France was imminent.

many signs indicated that a war between France and Great Britain was at hand; and it was therefore thought desirable to send an able commander to the Company's settlements in India. The (EIC) Directors appointed Clive governor of Fort St. David. The King gave him the commission of a lieutenant-colonel in the British Army, and in 1755 he again sailed for Asia.^b

In 1756 the Mughal nawab of Bengal captured the EIC fort at Calcutta. The nawab then allowed the 146 English prisoners to be confined overnight in the prison of the fort, a 20-foot square cell known as "the Black Hole" (of Calcutta). Only 23 prisoners survived the night.

News of Calcutta's capture reached Madras in August. With 900 English and 1,500 Indian sepoy, Clive sailed with Admiral Charles Watson to Bengal and retook Calcutta on January 2, 1757.

^a Ibid, XX- XXI.

^b Ibid, XXII.

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On 3 January, Clive declared war on Siraj ud-Daula in the name of the Company; Watson did the same in the name of the Crown. It was the first time that the EIC had ever formally declared war on an Indian prince^a

By February 5th the combined forces of Clive and Watson had defeated Siraj ud-Daula. The Treaty of Alinigar signed on February 9th restored all the Company's privileges, paid compensation, allowed EIC to re-fortify Calcutta and establish a mint.

Clive and Watson were eager to return to Madras, but news of the new 'Seven Years War' in Europe had reached Watson. He was ordered to attack French interests, so the two forces remained in Bengal. They attacked Chandernagar a French trading colony north of Calcutta and ousted the French.

Soon after, Mīr Ja'far, a general in the Nawab of Bengal's regime, asked Clive for EIC aid in a coup against the Nawab. He "offered the Company the vast sum of 2.5 crore" (£812.5 million, today). The planned coup was, in reality, a conspiracy of Bengal bankers and merchants and parts of the Nawab's military. In return for the general's cooperation, EIC forces would defeat the Nawab and install the general as the new Nawab and (nominal) ruler of Bengal.

This was not part of any imperial master plan. In fact, the EIC men on the ground were ignoring their strict instructions from London, which were only to repulse French attacks and avoid potentially ruinous wars with their Mughal hosts. But seeing opportunities for personal enrichment as well as political and economic gain for the Company, they dressed up the conspiracy in colours that they knew would appeal to their masters and presented the coup as if it were primarily aimed at excluding the French from Bengal forever.

This is a crucial point. In as far as the EIC, in the shape of its directors, officers and most shareholders, had a

^a *The Anarchy; The East India Company, Corporate Violence, and the Pillage of an Empire*, Chapter 3, William Dalrymple.

corporate will at all, it was for trade yielding maximum profits and a large and steady dividend for themselves and their investors ... the investors consistently abhorred ambitious plans of conquest ... the great schemes of conquest of the EIC in India very rarely originated in Leadenhall Street (EIC's headquarters). Instead, what conquering, looting and plundering took place was almost always initiated by senior Company officials on the spot, who were effectively outside metropolitan control.^a

One of the conspirators, a wealthy Bengalese named Omichund, communicated with the Nawab to allay any apprehensions he might have.

This Omichund had been one of the wealthiest native merchants resident at Calcutta, and had sustained great losses in consequence of the Nabob's expedition against that place ... He possessed great influence with his own race, and had in large measure the Hindoo talents, quick observation, tact, dexterity, perseverance, and the Hindoo vices, servility, greediness, and treachery.^b

It was impossible that a plot which had so many ramifications should long remain entirely concealed. Enough reached the ears of the Nabob to arouse his suspicions. But he was soon quieted by the fictions and artifices which ... Omichund produced ... All was going well; the plot was nearly ripe; (t)hen Clive learned that Omichund was likely to play false ... He held the thread of the whole intrigue ... The lives of Watts, of Meer Jaffier, of all the conspirators, were at his mercy; and he determined to take advantage of his situation and to make his own terms. He demanded three hundred thousand pounds sterling as the price of his secrecy and of his assistance ... But Clive was more than Omichund's match in Omichund's own arts. The man, he said, was a villain ... The best course would be to promise

^a Ibid.

^b *Macaulay's Essay On Robert Clive*, XXVII, Thomas Babington Macaulay.

what was asked ... and then they might ... withhold from him, not only the bribe which he now demanded, but also the compensation which all the other sufferers of Calcutta were to receive.

His advice was taken. But how was the wary and sagacious Hindoo to be deceived? He had demanded that an article touching his claims should be inserted in the treaty between Meer Jaffier and the English, and he would not be satisfied unless he saw it with his own eyes. Clive had an expedient ready. Two treaties were drawn up, one on white paper, the other on red, the former real, the latter fictitious. In the former Omichund's name was not mentioned; the latter, which was to be shown to him, contained a stipulation in his favour.

But another difficulty arose. Admiral Watson had scruples about signing the red treaty. Omichund's vigilance and acuteness were such that the absence of so important a name would probably awaken his suspicions. But Clive was not a man to do anything by halves ... He forged Admiral Watson's name.^a

It worked. With Mīr Ja'far's disengagement, Clive defeated the Nawab on June 23 at the Battle of Plassey, and placed the general on the throne of Bengal. Clive was appointed British (EIC) Governor of Bengal. On July 7 he received payment from the conspirators – “in modern terms, around £232 million, of which £22 million was reserved for Clive.”^b

Clive's first government lasted until February 1760. By 1760 Mīr Ja'far's authority was unchallenged by Indians in Bengal, Bahar, and Orissa, and his subservience to EIC was complete. In addition, by the dispatch of a force under Col. Francis Forde in 1758, Clive secured the Northern Sarkars from the French garrison there.

^a *Macaulay's Essay On Robert Clive*, XXIX, Thomas Babington Macaulay.

^b *Ibid.*

From the new Nawab, Clive got compensation for losses to EIC and the Calcutta citizens. The Nawab also gave Clive £234,000^c in cash, a Mughal title of nobility, and an estate paying annual rental of about £30,000. A flood of corruption thus began. Moreover, the East India Company was exempted from duties on both the company's goods and on the private trade of EIC employees.

Clive returned to England in 1760. He was made Baron Clive of Plassey in 1762 and was knighted in 1764. He became member of Parliament, purchased an estate, and tried (unsuccessfully) to carve out a political career.

But Clive was not universally popular among the directors at the London headquarters of EIC (India House).

At the head of the preponderating party in the India House, had long stood a powerful, able, and ambitious director of the name of Sullivan. He had conceived a strong jealousy of Clive, and remembered with bitterness the audacity with which the late governor of Bengal had repeatedly set at nought the authority of the distant Directors of the Company ... The whole body of Directors was then chosen annually. At the election of 1763 ... Sullivan was victorious, and hastened to take his revenge. The grant of rent which Clive had received from Meer Jaffier was, in the opinion of the best English lawyers, valid ... The Directors, however, most unjustly determined to confiscate it, and Clive was forced to file a bill in Chancery (take them to court).^b

But ... Every ship from Bengal had for some time brought alarming tidings. The internal misgovernment of the province had reached such a point that it could go no further. What, indeed, was to be expected from a body of public servants exposed to temptation such that, as Clive once said, flesh and blood could not bear it, armed with irresistible power, and responsible only to the corrupt, turbulent,

^c £7.6 million today.

^b *Macaulay's Essay On Robert Clive*, XL, Thomas Babington Macaulay.

distracted, ill-informed Company, situated at such a distance that the average interval between the sending of a despatch and the receipt of an answer was above a year and a half? Accordingly, during the five years which followed the departure of Clive from Bengal, the misgovernment of the English was carried to a point such as seems hardly compatible with the very existence of society.^a

By 1764 the EIC Calcutta Council was ignoring orders of EIC Governor Henry Vansittart, and the Mughal emperor in India had attacked again. East India Company turned to Clive, appointing him Governor and commander in chief of Bengal with power to override the Calcutta Council. Arriving in Calcutta on May 3, 1765, he found that battles had already been won, and the emperor had joined the British camp. But the whole Bengal administration was in chaos.

Almost immediately, Clive ousted the Calcutta Council and replaced it with men he brought from Madras. EIC employees were ordered not to receive significant gifts except by Clive's consent. Private trade was forbidden, but continued at a reduced level.

Clive installed a puppet Emperor of all Bengal. In return, the Emperor granted East India Company legal authority to collect and spend taxes throughout Bengal and Bihar, sending the Emperor only an annual tribute. Police and magisterial power remained the province of the Nawab of Bengal, who 'assigned' EIC to act for him. Thus the Company became the virtual ruler of India's two richest provinces.

Clive returned to England in 1767. Subsequently, EIC profits plunged, and it failed to meet financial commitments to the Bank of England and the government. In 1772, EIC appealed to Parliament to bail it out, which it did, and also passed the *East India Company Act 1772 (Regulating Act of 1773)* to overhaul EIC management. Provisions included:

^a Ibid, XLI..

- Annual dividends, which often exceeded 100 percent, were limited to 6 percent until all debts were paid.
- Company agents in India were prohibited from engaging in any private trade or accepting presents or bribes from the "natives".
- Warren Hastings was appointed Governor General of Bengal, Bombay and Madras.

Investigations uncovered corruption within EIC, and Clive was named as instigator of the corruption. He defended himself in Parliament and, in 1773, "Parliament declared that he did render great and meritorious services to his country."^a A year later, in 1774, Robert Clive died by his own hand, probably suicide.

Epilogue

The *Regulating Act of 1773* proved generally ineffective. Parliament replaced it with *The East India Company Act 1784*, which was intended to bring EIC's rule in India under control of Parliament. It provided for governing of British India jointly by EIC and the Crown with the government having final authority over acts and operations relating to the civil, military and revenues of the Company.

The Act also stated that "to pursue schemes of conquest and extension of dominion in India are measures repugnant to the wish, the honour and the policy of this nation."

Warren Hastings had been made *de facto* Governor General of Bengal in 1772. He generally continued the actions of Robert Clive. From 1779–1784 he led forces of the East India Company against a strong coalition of native states and the French, and prevailed. France lost its influence in India. (In 1787, Hastings was accused of corruption and impeached, but he was acquitted in 1795.)

^a Encyclopædia Britannica, East India Company.

In 1786 Lord Cornwallis replaced Hasting as Governor General of Bengal, becoming the effective ruler of British India. A constitution established by *The East India Company Act 1784* would last until 1858, when EIC's rule over India would end.

The first of three Anglo-Maratha wars with the Maratha Empire in the north of India began in 1775. By the time the last ended in 1818 any substantial native power in India had been subdued by British-led forces.

Around 1847, EIC Directors in India promulgated the *Doctrine of Lapse* - an annexation policy applied until 1859. The doctrine provided that any Indian princely state under the suzerainty of the East India Company would be annexed into British India if the ruler was either "manifestly incompetent or died without a male heir".^a Many small states were brought under EIC rule using this doctrine.

In 1857, EIC sepoys in north and central India rebelled over the use of Enfield cartridges.^b The rebels were soon joined by Indian nobility, many of whom had lost titles and domains under the *Doctrine of Lapse*. Rebels captured much of the North-Western Provinces and Awadh before EIC and allied Princely states mobilized and suppressed the rebellion in 1858. Shortly thereafter, Parliament nationalized the East India Company.

The *East India Act 1858* called for liquidation of the East India Company and the transference of all its property and other assets to the Crown. The Crown also assumed the responsibilities of the Company as they related to treaties, contracts, and business arrangements.

The Act ushered in the new British Raj. It would last until 1947 when India and Pakistan became independent nations.

^a *India: A History. Revised and Updated*, Chapter 17. John Keay.

^b Enfield cartridges contained tallow, which conflicted with Hindu spiritual beliefs.

Chapter 4:

Additional Reading – Robert Clive/ East India Company

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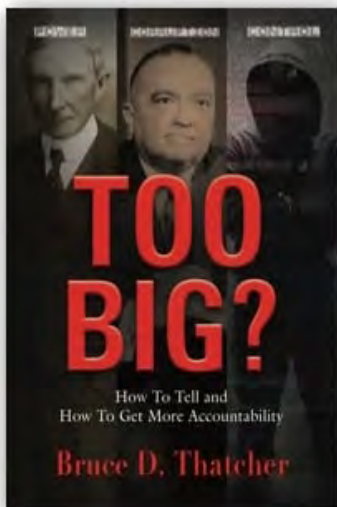
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Also, search the internet for topics such as: Robert Clive, East India Company, British East India Company, history of India, etc.



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