

The Regulating Act (1773)
(19 November, 2021)

This act came during Warren Hastings

Background of The Regulating Act (1773)

1. The East India Company (EIC) had conquered Bengal in 1772 and also assumed its administrative responsibilities. Now it had proper territorial control over a large territory. The 3 presidencies of the EIC had no coordination between them and thus had to be regulated. It **raised important questions**. The officials had **no administrative experience** and the **higher authority was situated 1000s of km away in the United Kingdom**.

2. Instead of showing profits, the **company was showing losses**. Why? **Mainly because of the private trade** of its officials and because of the **loss of tea trade with the US**. Still, the company had **raised**

3. A **select committee of Parliament** was appointed in April 1772 to enquire into the state of affairs in India.

4. But the **abuses of the EIC officials** (when the **nebobs** began to return home with immense wealth in hand) became a target of increasing jealousy, anger, and fear in £ parliament and there were regular debates on them.

5. Also, the **seats in the House of Commons were bought by EIC for its agents**. It was **feared** that **EIC**, with the money power, might **achieve dangerous supremacy** in the British Government.

6. *Free traders, liberals, and utilitarians were becoming powerful in £ parliament.*

1. **Bengal's resources** had made EIC and its officials rich. English **merchants, Manufacturers** and the newly risen '**Free Enterprisers**' wanted to have a **share in the profits** of Indian trade. They started to pressurize English statesmen who were politically ambitious.

2. Plus, Many Political Thinkers and Statesmen of Britain were afraid that **EIC and its officials** would **lower the standard of morality** of the English. **its dividends increase to 10% in 1767 and 12.5% in 1771**.

3. The '**Free Traders**' esp **Adam Smith condemned Monopolies**. Acc to him, such companies cause harm to both the countries which establish

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them and the countries they govern. This resonated with the interests of the Manchester manufacturers.

7. **The ultimate end was to end the monopoly of EIC.** With this end, they used the **means of criticising the way EIC admin Bengal.**
8. But EIC was also with powerful friends in Parliament which led it to come for a compromise - to regulate the affairs.
9. Situation arose when the *£ company asked parliament for a loan of £1 mm.* The *£ government sanctioned a loan of £1.4 mm* but with some **strings** attached.

Provisions of The Regulating Act (1773)

1. The Act made changes in the constitution of the Company at home.
2. The **EIC retained its monopoly, but the activities of the Court of Directors (CoD)** was now subjected to the supervision of **£ parliament.**
 1. All correspondences in all matters (civil, military, revenue) were to be submitted to the parliament.
 2. The dividend was restricted to 6% and term of a director to 4 years.
 3. This way it could be ensured that company's policy would benefit whole *£* upper class.
3. British Parliament can now **regulate the civil, military and revenue affairs of EIC's territories in India.**
4. The **executive was separated from judiciary.** It provided for the **establishment of a Supreme Court at Fort William in Calcutta.**
5. For the **1st time**, it constituted a **Supreme Government**
 1. Head = The Governor of Bengal was to be now **Governor General of Fort William in Bengal.**
 1. He was **under the direct control of Court of Directors.**
 2. The **1st Governor General of Bengal was Warren Hastings.**
 2. **Governor General in Council (GGiC) = Supreme Council = 4 member.**
 1. They will have supervisory authorities over Bombay and Madras Presidencies.
 2. Civil and military admin of Presidency + revenues of Bengal, Bihar and Orissa.
6. The *Legislative powers were vested in GGiC:*
 1. Decisions were to be taken with majority vote.
 2. **GG had no veto but only a casting vote.**
7. Presidencies of Bombay, Madras.
 1. They were **put under GG in Council in Bengal.**
 2. **They were** forbidden to make war or peace with Indian states **without the consent of GGiC** except in 2 cases
 1. Imminent necessity.
 2. If they have received direct orders from the Court of Directors.
8. Acceptance of gifts from natives or carrying out private trade was **banned** for company officials.

Significance of The Regulating Act (1773)???????

1. It was the 1st serious attempt by British Parliament to regulate Indian affairs and 1st time British Parliament intervened in Indian affairs.
2. This was the 1st act defining the structure of GoI which remained to some extent the same until 1858.
3. It began the process of subordination of EIC to £ parliament so that by 1858 only the mask was left.
4. For the 1st time EIC was recognized as the political - administrative and commercial body.
5. It opened new channels for British imperial admin in India.
6. It laid the foundations of Centralization in India.

Limitations of The Regulating Act (1773)

- It had not given British Parliament effective and decisive control over EIC which they sought for.
- Supervision of the British government was ineffective.
- The position of GG was too weak as he didn't have a veto which defeated the purpose of providing an efficient administration.
- The GG had to face the opposition of his council, who united against him. He had no power to override them, only casting votes.
- The disunity of the Council prevented it from solving external and internal problems of a serious nature.
- The Council had to often face deadlocks which impeded smooth working of the administration.
- SC was created but its jurisdiction was not defined clearly which defeated the purpose of the separation of judiciary from executive.
- Control of Calcutta over Bengal and Madras was not defined clearly which defeated the purpose of a more efficient control from Calcutta.
- Communication between Calcutta and London still remained poor which defeated the purpose of a more efficient control from London.
- Vague about jurisdiction control over subordinate presidencies and the jurisdiction between Supreme Council and Supreme Court.

Why didn't Crown replace EIC right away in 1773?

1. It was yet too bold a step to be taken.
2. It would have directly put an enormous mass of patronage in the hands of the British government.
3. It would have caused much bitterness in India and among European Nations.
4. Also, EIC was also with powerful friends in Parliament which led it to come to a compromise.



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5. Hence, the wise step was to control the affairs of EIC on the basis of current doctrines of constitutional law.

The Amendment Act or The Act of Settlement (1781) = Warren Hastings

1. It **defined clearly** the **jurisdiction** of Indian SC to be over ***matters involving Europeans in Calcutta only***.
 2. SC should respect the religious views and practices of Indians.
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