

Research Article

Commercial Ambition and State Power of the British East India Company: The Rise of the “Company-State”

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Abstract

The British East India Company (EIC) presents a typical case of the fusion between commercial expansion and state power in the history of the British Empire. Founded in 1600 as a joint-stock corporation under a royal charter, the Company's objectives were progressively converted from trade monopoly into the *de facto* domination of South Asia over the following two centuries. Drawing on Marx's theories of colonialism and primitive accumulation and the historical contextualism theory, and engaging recent scholarship on the “company-state” and South Asian commercial networks, this paper examines the principal stages and mechanisms through which the EIC was transformed from a commercial enterprise into a territorial polity. Adopting a chronological framework, it traces three stages: first, from the Company's foundation in 1600 to 1660, its operation as a chartered trading company and the construction of an Indian trading network through diplomacy and limited force; second, from 1660 to 1765, the establishment of its own military forces, rivalry with France in South India and the conquest of Bengal; and third, from approximately 1765 to 1800, the construction of administrative, fiscal and judicial systems after the acquisition of the Diwani (revenue-collecting rights). The paper argues that the “Company-State” was the cumulative outcome of a commercial monopoly progressively endowed with sovereign prerogatives - war-making, diplomacy, taxation, administration and justice - operating in the political vacuum created by the decline of the Mughal Empire, and that this process was mediated at every stage by the agency of Indian rulers, merchants and rural populations. The paper concludes that, by 1800, the EIC had completed the institutional transition from commercial monopolist to territorial ruler, a transformation that offers historical insight into the contemporary power and responsibility of multinational corporations.

Keywords

British East India Company, British Empire, Company-State

1. Introduction

If a corporation possesses its own army, executive apparatus, legislative body, and taxation system, is it a company or a polity? The British East India Company (“EIC” or the “Company”) occupied precisely this ambiguous position. In 1600, London merchants established the EIC as a joint-stock corporation under a royal charter. The initial function of the

Company, commercial in nature, was to monopolise trade between the Cape of Good Hope and the Strait of Magellan, importing spices, cotton textiles and other commodities from Asia into Britain. During the next two centuries, however, it gradually assumed and exercised core functions as the exclusive prerogative of sovereign states, including maintaining a

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Received: 19 September 2026; **Accepted:** 4 October 2026; **Published:** 21 October 2026



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standing army, conducting its own diplomacy, levying taxes, and establishing administrative and judicial systems [1].

The “Company-State” was neither a modern multinational enterprise nor an early form of the typical sovereign state. Instead, it was a product of the fusion between commercial capital and political power in specific historical contexts. Although the Company retained its corporate form, in practice it possessed the capacity of a polity in South Asia. This concept is essential for understanding how pre-modern states evolved in history. Furthermore, by applying Marx’s theories of colonialism and the primitive accumulation of capital, this paper aims to explain how the EIC was transformed “from a commercial power into a military and territorial power”, which illustrates how colonial plunder served the development of capitalism [2].

Building upon these two theoretical frameworks, this paper explores how the Company was gradually transformed from a commercial corporation into a political entity and how this transformation manifested itself externally. The transformation was based on the Company’s gradual, but uneven functional evolution, exhibiting varying degrees of “statisation” at different historical stages. By tracing this process chronologically, this paper argues that the Company-State was the logical outcome of a commercial monopoly endowed with sovereign prerogatives, operating in a political vacuum created by the decline of the Mughal Empire.

2. Literature Review

For the historiography of the EIC, imperial historians traditionally treated this topic as a part of British commercial and political expansion, while corporate and economic historians approached it primarily as a business enterprise. More recently, Philip J. Stern has labelled the Company as a “company-state” - a form of early modern colonial polity that exercised sovereign powers long before the territorial conquests of the mid-eighteenth century [1]. He has also discussed the Company from institutional and global perspectives [8]. David Howarth’s recent study reviews the Company’s rise through the contingencies of its first century, while Marx’s account of primitive accumulation places the Company’s conquests within the development of European capitalism [2, 6]. These academic works, however, have tended to examine the Company either as a corporation or as an empire, rather than exploring its gradual and uneven accretion of sovereign functions in the South Asian context.

Recent scholarship has drawn attention to the agency of Indian merchants and the politics of commerce during the incredible rise of the Company. Anirban Karak has appraised the politics of commerce in eighteenth-century Bengal, arguing that commercial politics extended beyond the disputes between the Company and the nawabs into Bengali society itself, where petty merchants and shopkeepers resisted the arbitrary impositions of regional elites [3]. Joshua Ehrlich has shown how the Company’s engagement with Indian knowledge and

learning was inseparable in formulating the constitutional identity as a corporation and a state [4]. Christina Welsch, examining protest, rebellion and military labour in South India, has argued that the Company’s expansion disrupted South Indian economic networks and that colonial rule was contested from below [5]. Together with the corporate perspective of Tirthankar Roy and the imperial narrative of William Dalrymple, these studies suggest that the “Company-State” was not built by the British alone: Indian rulers, merchant houses, brokers and sepoys had also been actively involved, as participants, rivals and victims, in the same process [12, 13].

This paper’s contribution is twofold. First, it traces the stage-by-stage accumulation of sovereign prerogatives from the military, diplomatic, fiscal, administrative and judicial perspectives from 1600 to 1800, arguing that the Company-State was the logical outcome of a commercial monopoly endowed with sovereign functions and operating in the political vacuum created by the decline of the Mughal Empire. This argument may integrate the corporate and imperial interpretations of the Company. Second, following the recent turn towards South Asian agency, it attends to the local political factions, rural populations and merchant houses whose co-operation or resistance both enabled and constrained this Company-State conversion process [13].

3. Establishment: From Royal Charter to the Early Trading Network (1600-1660)

3.1. Historical Background and Legal Significance of the Company’s Foundation

The end of the sixteenth century witnessed a profound transformation of global order. During the Age of Discovery, Portugal and Spain had monopolised the sea routes to the East and the New World respectively, dividing their spheres of influence through papal arbitration [6]. The defeat of the Spanish Armada by the Royal Navy in 1588 undermined Iberian maritime hegemony, opening the door to expansion for the emerging north-western European nations [7]. Within Britain, the Tudor dynasty witnessed rapid commercial growth and the rise of mercantilist thought, whose leading exponent Thomas Mun emphasised that national prosperity rested on maintaining a favourable balance of trade. British merchants’ desire for Eastern markets grew increasingly intense, and the confluence of international and domestic changes prepared the conditions for the birth of the EIC [8].

On 31 December 1600, Queen Elizabeth I issued a royal charter to a group of London merchants, who then formally established “the Governor and Company of Merchants of London Trading into the East Indies”, later known as the British East India Company. This joint-stock company was composed of 215 merchants and investors and raised a total capital of £72,000, becoming an overseas trading organisation of far-

reaching significance in British history [9].

Several key factors lay behind the EIC's establishment [7, 10]. First, it was stimulated by the Dutch monopoly over the Eastern spice trade, as Dutch merchants gained control of spice-producing regions and drove up European pepper prices by three to four times, provoking strong British resentment. In a royal letter to the Sultan of Aceh in Sumatra, Elizabeth explicitly requested permission to establish trading stations to break down trade barriers, vividly reflecting the shared attitude of merchants and Crown. Second, the growth of British naval power provided a guarantee for oceanic trade. Experienced navigators such as Francis Drake were knighted and promoted to Vice Admiral, proving the state's systematic integration of sea power into expansion strategy. Third, previous exploratory voyages had accumulated valuable experience. For example, James Lancaster's 1591-1594 voyage, regarded as "the first voyage of discovery from England to India", generated crucial navigational knowledge. Finally, the merchants of the Turkey (Levant) Company - possessing Eastern trade experience, mature networks, and substantial capital - formed the core force, swiftly raising subscriptions and leading the charter application in the face of Dutch competitive pressure.

The royal charter carried special legal significance. It granted the Company independent corporate personality as "a body corporate and politic", with the right to sue and be sued under its exclusive name and to hold and inherit property. Furthermore, it conferred a fifteen-year monopoly over all trade in commodities between the Cape of Good Hope and the Strait of Magellan, encompassing the entire known Eastern world [11]. Notably, the charter also permitted the Company to "make war", initially understood as necessary for protecting commercial interests yet planting the seeds for subsequent militarisation. In contrast to the Virginia Company's religious mission of spreading Christianity and converting heathens, the EIC's charter contained no proselytising clauses, its core purpose being unambiguously directed toward profit [12], which demonstrated that it was an organisation governed by commercial rather than religious or political logic from the beginning.

3.2. The Initial Construction of the Overseas Trading Network

The EIC's establishment was significant for Britain's overseas trading network and economy. It established a direct Eastern trade channel, bypassing Dutch and Portuguese intermediaries to acquire spices and cotton textiles at lower cost, thereby improving the balance of trade. The joint stock form enabled large scale capital raising while dispersing the enormous risks of oceanic trade, opening a new investment channel for commercial capital. Notably, precious metals accounted for 80 percent of exports to the East, alongside small quantities of woolen textiles and metals. This practice brought more silver back to Britain through Eastern goods resale, jus-

tified by Thomas Mun's argument that an ultimate trade surplus made bullion exports worthwhile [11]. It also marked the beginning of an organic alliance between British merchant capital and state power in the joint opening of overseas markets, providing the most powerful practical instrument for mercantilist policy.

After obtaining the charter, the EIC faced the challenge of establishing a stable Eastern foothold. At the century's outset, the Portuguese had operated on India's west coast for nearly a century, while the Dutch East India Company controlled Spice Islands trade, which put the EIC at a clear disadvantage. To overcome this, the Company adopted a strategy combining force with diplomacy and finally gained Mughal political recognition, the key to its Indian foothold [6, 12]. On the diplomacy front, the Mughal Empire initially welcomed European merchants as a useful counterweight to Portuguese influence. In 1608, Captain Hawkins travelled to Agra to have an audience with Emperor Jahangir, presenting a letter from King James I to request trading permission, and resided for nearly three years to establish contacts at court, despite Portuguese obstruction.

On the military front, a British fleet defeated the Portuguese off Surat in 1612. This victory demonstrated to the Mughal Empire that Britain was not merely a trading partner but also a maritime power capable of safeguarding west-coast trade. Thereafter the British position in India improved rapidly. After the 1612 Surat victory, Jahangir formally issued a decree in 1613 permitting a British factory. In 1615, Sir Thomas Roe's formal embassy began; after three years of diplomatic negotiation, it secured a 1618 decree granting the British free-trade and factory-building rights throughout the Mughal Empire [13].

The 1623 "Amboyna Massacre", in which the Dutch accused British merchants of attempting to seize their fortress at Ambon in Indonesia and executed ten Englishmen, became a critical strategic turning point. Recognising its inability to compete with the Dutch in Southeast Asia, Britain altered its Eastern policy, withdrawing from the Spice Islands and shifting its operational focus to India. This strategic contraction in fact laid the foundation for subsequent expansion. Thereafter development proceeded smoothly: the Surat factory (1613), Madras with Fort St. George leased at £600 annual rent (1639), Bombay obtained from the Crown as part of a Portuguese princess's dowry (1668), and finally Calcutta founded at the Ganges mouth (1690). By the end of the 17th century, the EIC had formed three presidencies - Surat (later Bombay), Madras and Calcutta - and governing over ten major stations and a hundred subordinate agencies [14].

The Mughal Empire's declining central authority enabled the EIC to further secure privileges. As imperial authority weakened, provincial governors became more susceptible to inducement, which allowed the Company to continuously obtain tariff reductions and trading privileges through bribery. In 1651, a Company physician cured the Bengal Nawab, who thereafter granted in gratitude the EIC an exemption from all

duties in Bengal in exchange for an annual 3,000-rupee payment. This pragmatic strategy of engagement gradually established the Company within the Mughal framework, laying the groundwork for future expansion [6].

4. Transformation: Military Intervention and Territorial Control (1660-1765)

4.1. The Initial Establishment of Armed Forces

In the latter 17th century, the EIC began building its own armed forces. This was a key deviation from traditional commercial companies, which had no power to use violence and conduct paramilitary operations against specific regions or organisations. Unlike pure trading organisations, the establishment of armed forces signified the EIC's acquisition of state prerogative - the monopoly on legitimate violence. The royal charters provided the legal basis: Charles II's 1661 charter explicitly permitted the Company to establish fortifications and raise armed forces overseas, and after obtaining Bombay in 1668 the Company rapidly developed it into a fortified garrison port [12]. Further, the 1683 charter explicitly conferred the right to make war upon non-Christian peoples, enabling the "sovereign company" model that combined commercial and sovereign privileges including waging war, building fortresses, administering justice and minting coinage. This model was fundamentally different from the armed merchant ships common in European trade, as it conferred permanent, institutionalised military capacity rather than ad hoc vessel defence. By the 1680s, fortified trading stations existed in all three presidencies, with European-officer-led armed forces. These forces were overwhelmingly composed of Indian sepoys, and recent scholarship has shown that the Company's expansion rested on local military labour whose grievances and protest shaped colonial rule [5].

The EIC had thus transcended purely commercial boundaries, acquiring three state-like capacities: legitimate use of force, territorial defence rights, and a limited right to declare war against non-Christians [15]. From the perspective of state power's constituent elements, these were significant acquisitions. Nevertheless, it still lacked two core state powers: systematic taxation, as revenues remained trade-based rather than tax-based, and comprehensive judicial jurisdiction over settled populations, as the authority was still largely confined to Company employees rather than local inhabitants. While armed merchant ships and fortified factories were common European practice, the EIC's 1683 war-declaration power and its 1686 offensive war against the Mughal Empire to seize Chittagong exceeded mere self-defence, marking genuine expansion rather than commercial protection [16].

In sum, the establishment of armed forces laid the coercive foundation for the EIC's transition from a commercial organisation to a territorial polity.

4.2. From South Indian Expansion to Political Control

In the mid-eighteenth century, the EIC's rivalry with France in South India culminated in the 1751 Battle of Arcot. Robert Clive led 500 British troops to capture and successfully defend Arcot against superior French forces and their Indian allies, turning the tide of the Carnatic conflict. The Company's intervention exploited the succession struggle between the French-backed claimant Chanda Sahib and the British-aligned Muhammad Ali Khan Wallajah [13]. By the 1754 peace, the British-backed Muhammad Ali Khan Wallajah was recognised as Nawab of the Carnatic; French merchants retained trading posts but were denied any administrative or governing authority, and the Carnatic effectively became a British protectorate with all major decisions subject to Company approval [13].

This marked the EIC's acquisition of international political actor status. It gained three state-like functions: the right to conclude diplomatic treaties and establish protectorates, the power to determine royal succession, and the control over tributary states' foreign and military affairs. From the perspective of power composition, these were genuine diplomatic sovereignty elements. Nevertheless, compared with a complete state apparatus, the Company's direct territory was limited to coastal strongholds, while its taxation powers were unsystematised, as exactions still relied on indemnities and "gifts" rather than stable revenue. It also lacked a complete administrative apparatus. The Carnatic experience nevertheless provided the Company's first "kingmaker" role, preparing it politically and psychologically for the conquest of Bengal. As Marx observed, the Seven Years' War transformed the EIC from "a commercial power" into "a military and territorial power" [17].

4.3. The Conquest of Bengal

After the Battle of Plassey in 1757, the EIC gradually achieved direct control over Bengal, marking the consummating phase of its transformation into a state polity. Bengal was the wealthiest province in India, with a thriving textile industry and agricultural productivity, and its land revenue became a stable source of fiscal income for the Company. At this point, the Company acquired the complete elements of state power: territory, population, government, and fiscal authority.

Two events defined the conquest. First, at Plassey in 1757, Clive exploited the rift between Nawab Siraj-ud-Daulah and his commander Mir Jafar, concluding a secret agreement with the latter and defeating the Nawab's 70,000-strong army with merely 3,000 British troops. However, the conspiracy was not Clive's work alone: it combined the active collusion of Bengali elites (including the banking house of Jagat Seth, which controlled the Bengal mint and the flow of credit, and disaffected nobles such as Mir Jafar), who calculated that a change of regime would advance their own interests [3, 13]. After the battle, the EIC installed Mir Jafar as a puppet Nawab and obtained enormous indemnities and territory around Calcutta.

Second, the 1765 Treaty of Allahabad granted the Company the Diwani (the revenue collection rights over Bengal, Bihar and Orissa) from Emperor Shah Alam II, making it the formal fiscal and civil administrator of these three provinces and assuming control over land revenue and civil justice [12]. Arguably, the Company adopted a “dual system of government”, retaining control over finance and the military while leaving judicial, policing, and other public affairs to the nominally existing Nawab [18].

Consequently, the EIC became a de facto state polity, acquiring in Bengal all elements of state power: territorial sovereignty over India's wealthiest provinces, fiscal authority via the Diwani, independent military power, nascent judicial courts, and executive authority through district revenue collectors [10]. Its sole distinction from a complete government was nominal recognition of Mughal suzerainty, a mere “empty formality”. As Marx observed, the EIC was transformed from “a commercial power” into “a military and territorial power”, a transformation completed by 1765 [2]. Thereafter the Company exercised power in India as a ruler rather than a merchant. The rapid expansion of dominions, however, exposed the incompleteness of its governing apparatus - the dual system produced administrative chaos, judicial injustice, and rampant corruption - rendering thorough institutional reform imperative.

5. Systematisation: Administrative Governance and Fiscal Institutions (1765-1800)

5.1. The Establishment of the Administrative System (1760-1780)

After obtaining the Diwani over Bengal and the other two provinces in 1765, the EIC constructed a systematic administrative apparatus.

In 1772, Warren Hastings abolished Clive's dual system immediately after assuming the governorship of Bengal and brought all executive power fully under Company control. He divided Company employees into civil and commercial servants, with the former responsible for revenue and judicial affairs. At the provincial level, a unified administrative organ was established in Calcutta; at the district level, the Company appointed collectors responsible for local administration and revenue affairs [19]. In 1773, the British Parliament passed the Regulating Act, which elevated the Governor of Bengal to Governor-General, assisted by a four-member Council, and formed a Supreme Court in Calcutta. The 1784 India Act further created a Board of Control in Britain, confirming the British government's ultimate authority over Indian affairs.

Three principal causes drove this administrative systematisation [19, 20]. First, the dual system's defects were severe: the Nawab held title without real power yet bore governance

responsibility, while the Company held power without accountability and refused to invest in administration, resulting in administrative chaos, judicial injustice and rampant corruption. This led Hastings to declare that “divided rule” could not continue, and the Company must directly assume all governmental functions. Second, employee abuse of trading privileges seriously undermined commercial profits: between 1757 and 1765, the Company obtained £3.77 million through indemnities while employees extracted a further £2.17 million through “gifts”, almost two-thirds of Bengal's land revenue, resulting in a disruption of trade and compelling the introduction of regulatory mechanisms. Third, the British government, recognising India's colonial value after American independence, intervened directly through the 1773 Regulating Act and 1784 India Act. Colonial governors and shareholders recognised that institutionalised governance could secure long-term fiscal revenues and safeguard investment returns.

This system rendered the EIC fundamentally distinct from commercial companies. Whereas traditional firms managed commodities, capital and employees, the EIC governed territory, population and state affairs, establishing provincial and district administrative hierarchies that resembled state bureaucracy far more than corporate management. In organisational structure, the complete provincial-district hierarchy approximated a national government's bureaucratic system. In personnel classification, the civil-commercial split created a professionalised civil service exclusively responsible for governmental functions such as revenue and justice. In the source of authority, parliamentary legislation after 1773 - with the Governor-General appointed by and accountable to government - embedded the Company within the British state structure rather than leaving it an independent commercial entity.

Compared with a complete national government, the EIC's administrative system was by this point quite close in form: it possessed a central hierarchy, local administration, specialised departments and clear official responsibilities. Nevertheless, the system still served the ultimate objective of commercial profit, its personnel remained Company employees, and the authority was constrained by British parliamentary supervision, not constituting complete and independent sovereignty. The acquisition of a bureaucratic state apparatus, however imperfect, nevertheless marked a decisive step toward the “Company-State”.

5.2. The Refinement of the Taxation System (1770s-1790s)

In 1793, Governor-General Lord Cornwallis introduced the “Permanent Settlement” in Bengal, Bihar and Orissa, serving as the core achievement of the Company's systematic tax reform. Under this system, the Company fixed the amount of land tax to be collected in perpetuity and recognised the zamindars (revenue farmers) as legal, hereditary land proprietors; in exchange, the zamindars were required to pay the fixed assessment to the Company on time, failing which their lands

would be auctioned off [21]. This institution transformed the Company's revenue collection from a system of short-term, auctioned tax farming into a long-term, stable system of public revenue, marking a fundamental shift from commercial to fiscal extraction.

Three causes drove tax reform. First, fiscal needs expanded dramatically: after the conquest of Bengal, the Company discovered that traditional trading profits were far less stable and reliable than land revenue. Between 1765 and 1771, Bengal revenue surpluses reached £4.037 million, averaging £670,000 per annum and convincing the Company that taxation could yield more stable returns than trade. Second, short-term tax farming proved abusive: under the auction system, one-to-five-year leases led farmers to over-extract from peasants, severely undermining agricultural productivity and causing revenue volatility. Third, Cornwallis and reformers believed clear property rights and fixed assessments - drawing on Adam Smith's ideas that stable taxation promoted economic development - would secure long-term revenues, while recognising zamindars as proprietors would forge a local elite alliance underpinning colonial rule.

This system fundamentally distinguished the EIC from commercial companies. Unlike trade-profit-dependent firms, the Company now derived revenue from land taxation in the form of direct extraction of surplus from territory and population. After the Permanent Settlement, annual Bengal land revenue reached millions of rupees; by 1790 the assessment stood at 26.8 million rupees, a 227 percent increase over 1764, meaning the Company no longer depended on trade for subsistence but survived on taxation. However, while mimicking state fiscal form - fixed tax base, identified taxpayers, stable assessment, and coercive collection - the system retained colonial distinctiveness: revenues primarily purchased Indian commodities for Europe rather than public expenditure, and the Permanent Settlement, while granting zamindar property rights, disregarded peasant rights and drove rural impoverishment [21]. Tax collection remained integrated with administration, with collectors holding executive and judicial office [22]. As Marx observed, at this moment, the EIC had become the universal landlord and exercised the fused rent-and-tax exploitation characteristic of Oriental state ownership of land, endowing it with the core fiscal characteristics of a state polity [17]. The great famine of 1770 had carried off as much as one-third of Bengal's population, and the Permanent Settlement, by vesting property in the zamindars, had encouraged intensified extraction from the cultivating population - as a result, a substantial share of the newly recognised zamindari estates were auctioned for arrears within decades [13, 20].

5.3. The Judicial and Legal System (1770s-1800)

In 1772, Warren Hastings established a systematic judicial apparatus in Bengal, serving as the key marker of the EIC's transition from commercial institution to state polity [6, 11, 19]. According to Hastings' plan, each district would have a

civil court, presided over by the Company collector, and a criminal court, conducted by Indian judges assisted by Muslim jurists. In Calcutta, two appellate courts were established: the Sadr Diwani Adalat, as the High Civil Court, and the Sadr Nizamat Adalat, as the High Criminal Court. In 1781, the Company established the principle of parallel application of English law and Indian customary law. Under this system, Muslims were governed by Islamic law and Hindus by Hindu law. Cornwallis then separated the judiciary from the executive, transferring criminal justice from the Nawab to Company-appointed circuit judges in 1790. Further, the 1793 Cornwallis Code, implemented by Charles Cornwallis in Bengal, dedicated district judges to replace collector-judge in the area of civil adjudication.

The establishment of the judicial system was prompted by three main causes. First, with the territorial expansion, the previous factory jurisdiction, confined to employees and factory precincts, became totally inadequate for governing millions of Indian inhabitants. This context required a territory-wide judicial system. Second, India possessed a complex religious and ethnic legal pluralism, in which Muslims and Hindus each maintained distinct traditional legal systems. Without a unified framework determining which law applied across communities, ruling India would have been impracticable. Finally, the British government also sought to restrict the Company's arbitrary conduct. The 1773 Regulating Act established a Crown-appointed Supreme Court in Calcutta, while a hybrid system retaining Indian law and Indian judges helped win colonial acceptance [22]. In sum, inspired by the ideal of government under the rule of law and by Hastings' explicit call for "laws suited to the customs of the people of India and courts of equity", this system could protect property rights and underpin the taxation system [20].

A complete judicial system is a core governmental, not corporate, characteristic. Traditional companies could only discipline employees through contractual relations. The EIC's system was entirely different: jurisdiction extended over all inhabitants rather than merely employees; cases covered civil and criminal matters including property, contract, marriage, inheritance and crime; a complete court hierarchy ran from district trial to provincial appeal; legal application rules respected community traditions; and judgments were enforced by Company armed forces. These five features manifest state judicial sovereignty beyond any commercial organisation. The judicial system brought EIC functions into close overlap with government, acquiring legislative, judicial, interpretive, punitive and administrative powers.

Up to this stage, the sole distinction between the EIC and full sovereignty lay in the fact that the Company remained, after all, a subject of the British Empire. As a result, it was governed by British parliamentary legislation and final judicial oversight. In day-to-day judicial functions, however, the Company had comprehensively acted as *de facto* judicial authority for India's inhabitants. While one might argue this system merely served tax collection and trade protection, the

complexity of the court hierarchy, with civil and criminal jurisdictions and appellate levels, cannot be labelled as serving the purpose of revenue collection alone. It reflected a fundamental transformation from merchant to ruler, completing the Company-State's legal dimension [20].

6. Conclusion

Traditional scholarship on the EIC has emphasised its corporate characteristics in the context of overseas trade expansion during the colonial era, but this perspective can no longer fully account for the Company's evolutionary trajectory and characteristics. Adopting a temporal framework, this paper has divided the EIC's development over the two centuries following its foundation into three stages: the initial phase of trading network construction (1600-1660), the transformative phase of military intervention and territorial conquest (1660-1765), and the consummating phase of state systematisation (1765-1800).

Through an analysis of the core events and their impacts at each stage, three conclusions have been reached: first, the EIC carried, from its very inception, the genetic code of a "body corporate and politic", and in particular the power to "make war" conferred by its charter served as the breakthrough point for its subsequent transformation into a political entity; second, the construction of the Company's own armed forces provided the opportunity for territorial expansion in South India and Bengal, becoming a powerful instrument for the seizure of quasi-state power; and third, through the establishment within its territories of three systems embodying the structures of state governance - the administrative system, the taxation system, and the judicial and legal system - the EIC ultimately completed its transformation into a political entity around the year 1800. This three-stage evolution demonstrates that the Company-State was the cumulative outcome of a gradual process in which commercial logic was progressively overlaid by sovereign functions.

The rise and fall of the EIC offers important historical insights for understanding the power and responsibility of multinational corporations in the context of contemporary globalisation, as well as the evolution of state sovereignty. Although contemporary multinational corporations do not possess standing armies or the power of direct taxation, their economic scale and global influence far exceed those of the eighteenth century EIC. Technology giants control the flow of information, energy companies shape the geopolitical landscape, and large platform enterprises possess de facto "quasi-legislative" and "quasi-judicial" powers through content moderation and algorithmic governance. When an enterprise can influence the access to information of hundreds of millions of consumers, participate in technological competition among nations, and even substitute for government in the performance of public functions in specific domains, the "Company-State" ceases to be a remote historical phenomenon and becomes a phenomenon worthy of serious attention and regulatory reflection.

Abbreviations

EIC British East India Company

Author Contributions

Shijie Zhang: Conceptualization, Resources, Writing – original draft

Conflicts of Interest

The author declares no conflicts of interest.

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