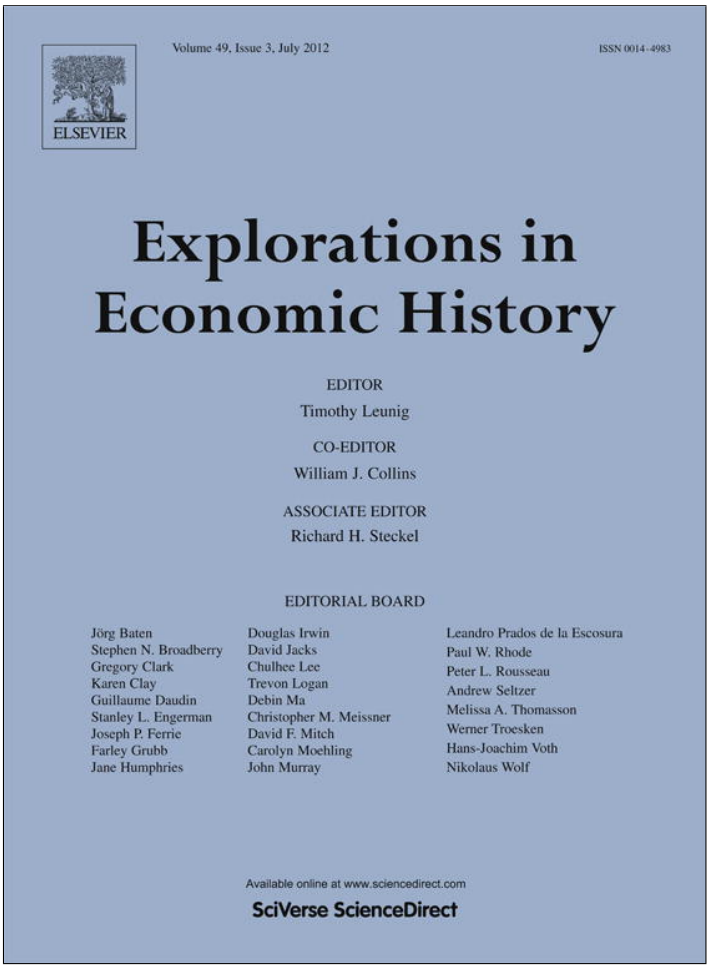

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Myopia or strategic behavior? Indian regimes and the East India Company in late eighteenth century India

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ABSTRACT

The East India Company's conquest of India was facilitated by the behavior of its Indian rivals who not only did not ally against it, but often supported it militarily. Historians have typically attributed this to myopia, the failure to understand the long-term threat represented by the Company. We examine the negotiations leading up to a key conflict, the Third Mysore War, and find that the Company's allies were not myopic. The British parliament had, in 1784, passed Pitt's India Act, which limited the scope for unprovoked military aggression by the Company in India. This had changed the behavior of the Company, making its promises more credible. This enhanced credibility made it possible for the Company to secure as allies Indian regimes that were acting strategically in their self-interest. This is a new explanation for an old puzzle.

> So the English are going to act against Tipu [Sultan, ruler of Mysore] and if we ally with them and provide them with military help then [subsequent to the victory] they will restore to us our territories exactly as per our agreement with them. I can provide you with this assurance. If in spite of me saying this it is decided that we should not ally with them it will cost us dear. Just note that while Tipu is only limited to Karnatak the English are all over the place. Therefore after they have dealt with Tipu they will turn on us and we will not be in a position to cope with them. Mahadji Sindia to Nana Fadnis' Emissary, March 3, 1790

1. Introduction

Why was the East India Company able to conquer India? The conquest was not quick or easy – it occurred over a century – and there are numerous explanations in the literature. The first, and entirely plausible, step of most explanations is that the break-up of the Mughal Empire created political opportunities which the European companies, alongside the emergent local powers, contested to exploit. The Company was able to benefit, it is then usually argued, because of its military prowess, broadly defined. The Company's armies had greater firepower, employing more heavy infantry and artillery than its Indian adversaries. The Indian regimes that did imitate European military techniques were not necessarily able to do so effectively — indigenous armies were resistant to change and hired European mercenaries with technical/organizational knowledge often deserted at key moments. The Company's armies also brought from Britain a military culture that was more professional and disciplined. It was able to develop an effective military force consisting of European officers and Indian soldiers. The Company paid its soldiers and officers more regularly, thereby ensuring greater loyalty. It also developed superior systems of military intelligence.[1]

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[1] These arguments are fleshed out by Barua (1994, 2005), Bayly (1999), Bryant (2004), and Roy(2005).

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The measures described above required resources and credit, and several authors mention the importance of this factor. Bayly (1999) argues that the early conquest of the wealthy province of Bengal gave the Company a financial edge. More recently Roy (2010) argues persuasively that the Company also acquired a reputation as being credit-worthy, and was able to raise capital locally.[2]

Yet another perspective focuses on Indian political factors. Indian regimes did not trust each other and failed to combine against the Company, which was able to pick them off one-by-one (Roy, 2005).

This abundance of arguments notwithstanding, we still have a puzzle: the Company often defeated its Indian opponents, *with the help of Indian allies* who were subsequently at its mercy. Why did Indian regimes help the Company's conquest? Even if they did not trust the other Indian regimes, surely they could have remained neutral. To explain this behavior as well as the above-mentioned failure of Indian regimes to unite against the Company, historians and some contemporary observers have invoked myopia: Indian regimes simply could not think ahead and anticipate the consequences of the Company's growing strength. John Malcolm wrote in his famous *The Political History of India from 1784 to 1823* (published in 1826) that Indian regimes "became aware, too late, of the error which they had committed in allowing it [the Company] to attain a strength which they could not shake" (p. 8). In a similar vein, M.S. Mehta invoked the short-sightedness of Indian regimes: "It is a sad commentary on their sagacity and judgment that they should have failed to understand the simple phenomenon that mutual enmity and disunion were bound to destroy the sovereignty and independence which they so proudly wished to preserve."[3]

We are skeptical of this "myopia hypothesis": one can imagine that the Company did not appear to be a threat in 1750, when it had little territory. But by (say) 1785 it had successfully fought numerous wars, and controlled substantial territory, including the wealthy province of Bengal. It is hard to believe that Indian regimes, which were still forming alliances with the Company, did not realize that they could be a long-term threat. What we need, therefore, is research on the *process* of alliance-formation, i.e. the nitty-gritty of how and why the Company was able to obtain allies at crucial times. This is what we do in this paper, focusing a key event in Indian eighteenth century political history, the Third Mysore War (1790–92).

In the Third Mysore War the Company defeated and decisively weakened Mysore, often considered its most "formidable and most determined foe" (Moon, 1990, p.291) *with the help of the Marathas*, the other major power at the time. The Company also received the support of the Nizam of Hyderabad, though he was militarily much less important. After the Third Mysore War Tipu Sultan, the ruler of Mysore, lost half his territory. The Company delivered the *coup de grace* in 1799. Later, in the 19th century, it fell out with the Marathas and defeated them.

Why did the Marathas support the Company against Tipu Sultan? Even if they did not trust Tipu Sultan, why didn't they remain neutral? Ali (1982) proposes the myopia hypothesis arguing that the Marathas simply did not realize the long-term danger from the Company. We show that this is incorrect. Our alternative explanation has its roots in *changes* in the institutional structure of the Company that *changed* the behavior of its Indian officials and the way it was perceived by Indian states. The Company's conservative (in the military sense) supervisors in London had, after Pitt's India Act of 1784, imposed restraints on its leadership in India, forcing it to be more peaceable and to honor non-aggression commitments. The Marathas were aware of this legislation, and they also observed the corresponding changes in the Company's behavior. This was just enough to make them trust the promises the Company made in seeking their support against Tipu Sultan. And indeed after the Third Mysore War the Company did honor its promises, sharing a substantial amount of territory seized from Tipu with the Marathas. Even accounting for their subsequent fallout, the Marathas did better by allying with the Company than they would have by letting the Company fight (and most likely defeat) Tipu on its own. In short, the Marathas' collaboration with the Company was "rational" rather than myopic.[4] Thus, this paper contributes to the literature on the British conquest of India by showing why the Company might have received support from Indian allies, even when they were highly strategic and forward-looking: on at least one crucial occasion, *restraints* on the Company's behavior imposed from London made it a more trustworthy ally.

Our formulation is squarely in the mainstream of arguments in economic history in the last two decades, in which the stronger party can gain if its hands are tied. For instance, in their famous "Constitutions and Commitment," North and Weingast (1989) argued that political changes in 17th century England reduced the power of the Crown to act arbitrarily, making its promises more credible, thereby improving its ability to borrow. More recently, Acemoglu et al. (2000) argued that the expansion of the franchise in nineteenth-century England was a means for elites to make credible commitments to the working class.

Our focus on the Third Mysore War requires some explanation. We have already alluded to one reason: the defeat of the regime which "had the most potent and professionalized Indian army of the century" (Marshall, 2003, p. 11), which "brought the East India Company nearer to ruin than any other Indian foes had brought it, and nearer than any subsequent foe was to bring it" (Thompson, 1943, p. 4) and "paved the way for British supremacy throughout India" (Moon, 1990, p. 261) is an important historical event in its own right. But what makes this event especially useful for our purposes is the availability of extensive correspondence pertaining to the negotiations that preceded the war. Much of this consists of letters to and from the Company's Governor-General, Charles Cornwallis, to his representatives in the courts of the Indian regimes and sometimes to and from the Company to Indian regimes. These letters have been collated by historians of the region in a collection entitled the *Poona Residency Correspondence* (Sardesai (1936a and 1936b) and Ray (1937)), which is a key source for us. We have made less extensive, but still

[2] Many scholars (Dodwell, 1929 p. 165; Gordon, 1998 p. 194; Marshall, 2005, p. 230) also highlight the importance of finance.

[3] Mehta is quoted by P. Sreenivas Char in the introduction to Regani (1963, p.i).

[4] Our argument, that the constraints imposed by Pitt's India Act facilitated conquest is in direct contrast with the views of Major-General John Malcom (1826, p.4) who argued that attempts to restrain the Company's administration in India arose from abstract systems of general policy "rather than a correct view of human nature (as it existed in the country for which they legislated)."

critical, use of two Marathi-language sources, consisting of correspondence between emissaries of Maratha rulers and their employers. These are best described after providing more historical background, and this is done in Section 4.3, footnotes 24 and 26.

Our analysis of this single episode, important as it was, does not in itself provide an explanation for the numerous other alliances the Company formed. It does, however, recommend skepticism towards the popular "myopia hypothesis," and highlights the need for a more open-minded investigation of the logic of alliance formation in the East India Company's conquest of India.

The remainder of this paper is organized as follows. We begin by providing historical background and a description of the major players at the time: the Marathas, Mysore, the Nizam of Hyderabad, and the Company. We then present a formal but simple model that clarifies the logic of our central argument: the Company's credibility was a necessary condition for it to acquire the Marathas' support. In sections four, five, and six we provide historical evidence in support of this argument. The final section discusses some implications of our findings and concludes.

2. The historical background, c. 1785

The next two sub-sections of this paper are written like a primer, providing the non-specialist reader a sketch of the inter-state politics and military configuration of late eighteenth century India, especially South India. After providing this overview, the third sub-section then takes the reader to the specific episode analyzed in this paper, the Third Mysore War.

2.1. The regional states

Eighteenth-century Indian states have been placed (Ramusack, 2004, p. 13) in three categories: "Antique," "Successor," and "Warrior." The first category is exemplified by the Rajput states (see north-west in map) which preceded the Mughals and followed varying policies of accommodation and resistance towards them. None of the main actors in this paper falls in this category. "Successors", the second set, are provinces of the Mughals that became autonomous as Mughal power weakened in the 18th century. Of our main actors only Hyderabad (Nizam's Territories, in map) is in this category.[5] Nizam-ul-Mulk, appointed governor in 1713, became increasingly autonomous until his death in 1748. The Nizam began to send less revenue to the Mughal capital in Delhi, appointed his own officials, and signed his own treaties.[6] By our period (mid-1780s) Hyderabad was militarily weak: Warren Hastings, the departing Governor-General wrote in 1784 that "his [the Nizam's] military strength is represented to be most contemptible" (Thompson, 1943). However, his support could give the Company legitimacy, and as we shall see below, he was assiduously courted as well.

The Marathas created the quintessential "Warrior" state. In the second half of the seventeenth century the Mughals, dominant in North India, contended with three regional powers in central/southern India: Ahmadnagar, Golconda, and Bijapur. For all players the key to military success was the mobilization of warrior–entrepreneurs with roots in local communities (Gordon, 1998), who were compensated with temporary or permanent land rights. The risk, course, was that the military entrepreneur would become a threat in his own right. One such, Shivaji Bhonsle, laid the foundation of the Maratha empire. Shivaji repeatedly challenged the dominant powers of the day, especially the Mughal emperor Aurangzeb, using guerilla tactics and highly mobile cavalry, in contrast with the Mughals' more ponderous armies.

The Marathas went through many ups-and-downs and factional disputes after the death of Shivaji (1680), because of infighting, but by the 1720s a clear power center had emerged in Poona (Fig. 1), where the titular head's minister, the "Peshwa" held real power. Military leaders with personal loyalty to the Peshwa ("Sirdars") were given authority and independence. The Marathas decided (Gordon, 1998, p. 114) that expanding North would be the best strategy, because the declining Mughals were in no position to resist. The Marathas conquered vast swathes of Northern and Central India (Fig. 1). Over time, the Sirdars, especially Holkar (centered in Indore, Fig. 1) and Sindhia (centered in Gwalior, Fig. 1) became powerful. Decision-making power became diffused,[7] and by our period (the mid-1780s) the British called the Marathas a "confederacy." Poona was still the "nerve-center" (Sen, 1974, p. 17) but Sindhia was the most powerful militarily, and was the major player in the Marathas' coordinated decision-making. As we will show, Sindhia's influence is an important part of our story.

Mysore, also a "Warrior" state, was of a more recent vintage: Haidar Ali, a (Muslim) soldier of fortune, had seized the kingship from the (Hindu) Wodeyar king in 1761. Upon his passing in 1782, the power had passed to his son, Tipu Sultan. Historians like Burton Stein (1985, p. 400) argue that despite the apparent transition (Hindu to Muslim) in one key dimension Haidar and Tipu merely intensified an ongoing trend to centralize power and tax collection in the service of military strength. Stein writes: ".... [I]t may be said that the rule of Haidar Ali and Tipu Sultan elaborated and extended an order first established in Karnataka a century earlier, by Chikkadevaraja Wodeyar (reign: 1672–1704). The latter had launched Karnataka upon a construction of military power perhaps unknown before." Under Haidar Ali Mysore emerged as a formidable military power. Haidar Ali used some of the Marathas' guerilla tactics: hit-and-run raids, attacks on supply lines, and starving out the enemy. He also allied with the French, and tried to incorporate European military methods. Haidar's son Tipu Sultan took both fiscal and military steps further: tax-collecting intermediaries were ruthlessly eliminated, peasants dealt directly with government officials, and the army was reorganized and paid better.

[5] Awadh and Bengal, also shown in the map, were other important successor states.

[6] The symbolic authority of the Mughal emperor remained: coins continued to be minted in the Mughal emperor's name until 1857, and his name, not the Nizam's was mentioned in the Friday prayer. (Leonard, 1971, p. 569–70).

[7] See Gordon's (1998), discussion of "centripetal forces." These especially came to the fore after the Battle of Panipat (1761), which we briefly discuss below.

Fig. 1. India, 1785: Approximate Political Boundaries.

The East India Company had operated in India since the early 17th century, initially as a purely commercial enterprise. The unstable political environment motivated the Company to develop its military strength to protect its trade, and to fortify its trading settlements. Over time, local rulers found it advantageous to seek the Company's help in various military disputes. The Company was also drawn into conflict because of English animosity with the French–European conflicts spilled over to South India. Still, until the mid-1700s the Company's explicitly military/political role was small. However, in the 1740s rivals contending to be the Nawab of the Carnatic sought the support of the French and the British. The Company's candidate (Muhammad Ali) eventually became the Nawab and, in a pattern that was to be repeated time and again, ceded territory to the Company in exchange for military support. The specific military and political outcomes of this conflict were likely less important than the information they had revealed: European training and firepower could overcome Indian numbers.

Meanwhile, the Company's trade in Bengal had grown hugely and it was repeatedly at odds with the Nawab of Bengal. The Company was not alone in its resentment of what it viewed as arbitrary interference with trade, and it was supported by Indian allies, including some who deserted the Nawab in the famous Battle of Plassey which the Company won in 1757. After a period of experimentation with various client rulers, the Company went to war again in 1764. This time the Nawab of Bengal was supported by Awadh, another successor state. Again, the Company won a decisive victory in the Battle of Buxar. It then received

the *Diwani* (right to collect revenues) of Bengal. Awadh became a client state, and another source of funds. Given its military capacity and the rich resources of Bengal at its disposal the Company was now a major regional player on the subcontinent.

In the process, though, the Company had been transformed in two important ways. On the one hand, it was now far more powerful in India — a major territorial power with administrative obligations, not just a trading company. On the other hand, because of its military and financial reliance on the British state, it was increasingly coming under its control. The Company's behavior in India was as always driven by short-term pressures to make profits for shareholders and the private interests of its Indian officials (some "corrupt"), but it was increasingly supervised by parliament, keen to protect and preserve India as a national asset. Yet another concern (see Marshall, 2005) was that the riches of the Company, and the influence it could therefore wield, would corrupt and undermine the British political system. Control from London is an important part of our story, as the reader will see below.

2.2. Military capacities

The arrival of the East India Company and the French had changed the military landscape.[8] The Company's armies were different from Indian armies in several respects. First, their soldiers were full-time professionals. In contrast, soldiers in Indian armies often tended to employ peasants who fought in the off-season and went back to tend their crops. Their payments might be the spoils of war, rather than salaries. Second, the Company's armies were more disciplined, and different wings (artillery, infantry) coordinated better. There was less emphasis on individual heroics — Indian armies were liable to collapse if the leader was killed in battle. Third, the Company's infantry and artillery were of much better quality, and the Company armies had greater firepower. Finally, the Indians had the advantage when it came to cavalry and guerilla warfare.

All the Indian regimes recognized the need to adapt in response to the European innovations. This required funds, and the first task at hand was to prevent various closer-to-the-land intermediaries, often armed and recalcitrant, from intercepting revenues. As mentioned above, among the Indian regimes, historians view Mysore as having been relatively successful in this "military fiscalism." The Company, of course, had the advantage of having access to the revenues of Bengal and the ability to extract resources from Awadh.

To train their armies in European techniques the Indian regimes had to hire European mercenaries, and some played an important role.[9] However, the loyalty of these mercenaries was always suspect, and they could desert or be bought off at critical moments.[10] The Company also actively worked to prevent Indian armies from learning how to use European techniques.[11]

There were also issues of technological capacity. The Marathas did build cannons, but they were bulky and cumbersome, and not very accurate. Alexander Dirom, a Company military officer described the Marathas' artillery in the following words: "The gun-carriages, in which they trust to the solidity of timber, and use but little iron in their construction, are clumsy beyond belief; particularly the wheels, which are low, and formed of large solid pieces of wood." (Dirom, 1793, p. 11). He went on to argue that many of the guns were "in every respect unfit for use, and there was only a small supply of ammunition."

Finally, there was the problem of integrating European methods with traditional Indian practices. In the famous Battle of Panipat (1761) a coalition of Maratha armies was defeated by the Afghan army of Ahmad Shah Abdali. The Marathas had decided to fight "European-style," with an emphasis on the firepower of infantry and artillery. Their enormous and famed cavalry could not be incorporated into the battleplan, and was utterly ineffective.

For all these reasons, the Company's armies were far more effective, man-for-man, than Indian armies. There was a long history of the Company's armies defeating much more numerous Indian forces. As the Company consolidated power in Bengal and became more effective in raising resources, it became the strongest power on the subcontinent.

2.3. The prelude to the Third Mysore War

These four parties had fought over Southern India, in various permutations and combinations, since the 1740s.[12] While the Company was feared, its militarily superiority especially over Mysore was not, in the mid-1780s, viewed as overwhelming. Due to the fiscal and military measures described above Mysore had grown in strength, and was arguably the strongest antagonist of the British (Ramusack 2004, p. 66). Tipu had a well-organized standing army with a small separate European contingent; his artillery was cast under French supervision and, according Forrest (1970 p. 139) was "heavier bore and longer range than anything issued to the Company's forces." Mysore had held its own in conflict with the Company in the early 1780s, and the Company's prestige had diminished somewhat. Tipu had bested a coalition of the Marathas and the Nizam in the mid-1780s (Sen, 1974; Hasan, 1971).

[8] Despite the initial French successes in South India, Roy (2005, p. 656) argues, the British defeated them in India by adapting better to local conditions. Also, the Company was a more successful trading organization and had more resources with which to pay its soldiers. By the early 1760s the French had ceased to be a major military threat to the Company on the subcontinent. However, they continued to support the Company's rivals, especially Mysore (see below).

[9] Mahadji Sindhia, the Maratha Sirdar, hired Benoit de Boigne to train two artillery battalions. These played an important role in his military success in North India in the late 1780s (Barua, 1994, p. 607).

[10] See Roy (1994, p. 608) for an example, when Daulat Rao Sindhia and the Company went to war in 1803. The Company easily bought off mid-level European officers.

[11] For instance, after the Battle of Buxar the Company, in its agreement with the Nawabs of Bengal and Awadh, inserted a clause according to which European deserters would not be hired, and specifically named a Germany mercenary whose prowess they feared (Roy, 2005, p. 64).

[12] Even earlier, in a major defeat, the Nizam of Hyderabad surrendered the Malwa region to the Marathas in 1738, via the Treaty of Bhopal.

Tipu Sultan was viewed by the British as aggressive and threatening to its possessions in South India. Henry Dundas, at the head of the Board of Control [discussed in Section 4.1] in London, wrote to Cornwallis on November 13, 1790: "I ardently wish for the annihilation of that restless tyrant, for while he exists, there can be no certainty of peace in India…" (Sen, 1974, p. 87). The potential threat from Tipu was also periodically enhanced by his connections with and military reliance on the French. In his turn Tipu Sultan was certain the Company represented the most dangerous long-term threat.[13]

The Company's own perception was that if it attacked Mysore it would likely win, but it could do with some help. In the build-up to the decisive conflict with Tipu Sultan, the Third Mysore War, Governor-General Charles Cornwallis wrote to Charles Malet, his emissary to the Marathas' court in Poona on January 27, 1790 (*Poona Residency Correspondence*, volume III, p. 55) emphasizing the importance of their support: "It is unnecessary to explain to you that the cooperation of the Marathas in this contest would be of the greatest importance to our interests…." On April 26, he again argued along similar lines (*Poona Residency Correspondence* volume III, p. 146):

> I need hardly state to you that though it would be desirable to obtain terms of precise equality in our treaty with the Marrattas, yet as their hearty and early cooperation with us is of utmost importance to our interests, I would even designedly give them some advantage rather than retard the commencement of operation of their forces.

Cornwallis was quite sure *why* he wanted Maratha support: he knew the Company's cavalry was inadequate. He had earlier written to Henry Dundas, head of the Company's Board of Control in London (July 17, 1788):

> I feel an alliance with the Marattas, of the closest kind, is all that is required to keep the whole world in awe respecting India. The aid of their cavalry is all that is wanting to make our power complete. (Ross (1859), *Correspondence of Charles First Marquis Cornwallis*, Vol 1., p. 398).

As we know, Cornwallis' wish was fulfilled, and the Marathas allied with the Company against Tipu Sultan. Why?

2.4. Were the Marathas myopic?

As we have mentioned earlier, a common explanation for the Indian regimes' strategic decisions is that they were just naive, and did not anticipate the future threat posed by the Company. There is ample evidence that this was not the case for the Marathas.

For instance, Nana Fadnis, the Poona Peshwa's powerful minister had written to Haidar Ali (Tipu Sultan's father) in 1780, regarding the Company:

> Divide and Grab is their main principle…. They are bent upon subjugating the states of Poona, Nagpur, Mysore and Haidarabad one by one, by enlisting the sympathy of one to put down the others. They know best how to destroy the Indian cohesion.[14]

Similarly, Ahilyabai Holkar, at the head of an important component of the Maratha Confederacy had earlier warned of the risks of allying with the Company, drawing an analogy with a bearhug:

> Other beasts, like tigers, can be killed by might or contrivance, but to kill a bear it is very difficult. It will die only if you kill it straight in the face, Or else, once caught in its powerful hold, the bear will kill its prey by tickling. Such is the way of the English. And in view of this, it is difficult to triumph over them.[15]

Indeed, from reading the correspondence of the Marathas as well as that of the Company (see below) it is clear that all the players were strategic and self-interested. So the "myopia hypothesis" does not solve our puzzle. To clarify the strategic considerations, the next section of the paper presents a simple model of a three-player interaction. It makes a simple point: unless its promises have some credibility the strongest player (Company) will not find an ally (Marathas).[16] After arguing this analytical point carefully we return to the history and show how, despite the suspicion reflected in the above comments, by the time of the Third Mysore War the Company had acquired some credibility with the Marathas because of policy changes imposed from London. This is why they allied with the Company.

3. A model of coalition formation

Our model builds on a theoretical literature which extends the notion of a duel by adding a player, and labeling this a "truel" (Amengual and Toral, 2006; Kilgour, 1975). In our baseline case (where no player has any commitment ability), we reproduce a

[13] As Sen (1974, p. 59) argues, "... Tipu dreaded the British more than he feared the Marathas."
[14] Quoted by Ray (1998), p. 519.
[15] Cited by Kamath and Kher (1995, p. 126).
[16] While our discussion above has described the Marathas a "confederacy," in our model we collapse them into a single player. This is an acceptable compromise because at least for the event at hand (the Third Mysore War) they were at peace with each other and seem to have coordinated on strategy (especially the Peshwa and Sindhia, see below). The alternative, to treat them as entirely distinct entities, would be quite unrealistic. It would also make the model intractable.

key finding of this literature: the strongest player cannot find an ally. However, we go on to incorporate the possibility of explicit coalition formation. We do so by allowing players to promise to their coalition partners to not engage in a duel after the rival is eliminated. We show that the only way there can be a coalition between the strongest and the weakest player (or even the second-weakest player) is if the strongest player has a sufficiently high commitment ability.

Consider a world with three risk-neutral players: the British (player 1), Tipu Sultan (player 2) and the Marathas (player 3). These players are assumed to be in a conflict with each other over division of a surplus which we normalize to 1. To this end the players can fight wars, either individually or in alliance with each other. In a war, the faction which emerges victorious survives into the next period and the losers are eliminated.[17] When peace is established – either because a sole victor emerges, or because there is no incentive for the remaining players to fight further – the surplus is divided amongst the ultimate set of survivors.

Each player i is endowed with military strength which we represent by a scalar $p_i \in (0,1)$ such that $\sum_i p_i = 1$. Military strengths influence the probability of winning as follows: if a subset of players with collective military strength p goes to war against another subset with collective strength p', then the probability of the former emerging victorious is given by a function $F\left(\frac{p}{p+p'}\right)$. The probability of the latter emerging victorious is $F\left(\frac{p'}{p+p'}\right)$ which is equal to $1-F\left(\frac{p}{p+p'}\right)$. We further assume that $F(\cdot)$ is a strictly increasing function with $F\left(\frac{1}{2}\right) = \frac{1}{2}$. The relative military strength also influences the *default* division of surplus amongst the ultimate set of survivors.[18] In particular, we assume that if $I \subset \{1,2,3\}$ is the ultimate set of survivors after the war(s), then the default share of surplus obtained by player $i \in I$ is equal to

$$\frac{p_i}{\sum_{j \in I} p_j}.$$

This means that the surviving players receive surplus in proportion to their military strength. The players who do not survive to the end get 0.

While both the probability of winning and the default share of surplus are increasing functions of military strength, we assume, as seems natural, that

Assumption 1. $F\left(\frac{p}{p+p'}\right) > (=) p$ if $p > (=) p'$.

This assumption implies that the militarily stronger player gets a greater expected payoff by attacking the weaker faction than by maintaining peace. An immediate implication of this assumption is that if there are only two players remaining, then in absence of any previous agreement, the stronger player will attack the relatively weaker player.[19]

In the following analysis we assume that there is a war between players 1 and 2. Player 3 can either stay neutral or join one of the players. We will examine how player 3's incentives are affected by player 1's ability to make credible promises regarding the post-war outcome.

3.1. No commitment ability

This sub-section analyzes the incentives of the three players in the absence of any commitment ability. The lack of credible commitment ability means that any player i cannot promise player j that he (i) will not attack him (j) in future, nor can any player promise a division of surplus in a manner other than the default division described above.

Motivated by the description in the previous section, we assume that the military strengths of the three players are as follows:

Assumption 2. $p_1 > p_2 > p_3$.

This assumption states that the British were militarily the strongest and the Marathas were the weakest. The reader should note that, while we believe this to be the correct ranking, the arguments of the paper do not depend on the relative ranking of the Marathas and Tipu Sultan, i.e. we could make the Marathas player 2 and Tipu Sultan player 3, and the argument would still hold.

Given that players 1 and 2 are at war, player 3 has three options: he can stay neutral, or join player 1, or join player 2. We will examine each of these options.

Stay neutral. In this case player 3 and the winner of the 1–2 war will survive into the next period. However, as described above, the victor of the 1–2 war, being stronger than player 3, will have an incentive to attack him. Hence, player 3's expected payoff is

$$F\left(\frac{p_1}{p_1+p_2}\right)F\left(\frac{p_3}{p_1+p_3}\right) + F\left(\frac{p_2}{p_1+p_2}\right)F\left(\frac{p_3}{p_2+p_3}\right). \tag{1}$$

[17] Alternatively, we can assume that the losers' military strength is reduced down to zero while the winners retain theirs.

[18] By *default* division we mean the division in the absence of any credible surplus sharing arrangement.

[19] This is a simplifying assumption. In effect, our model is being used to analyze coalition formation in a context where (as in the Third Mysore War) deadweight losses were not high enough to discourage conflict. There were some factors that tended to reduce deadweight losses in eighteenth century wars: a fort might be given up before it was overrun or destroyed, opposing armies might be induced to defect, etc. However, it is also true that various parties, including the Marathas and Mysore, often used "scorched earth" policies to deny rival armies access to food/fodder, which raised deadweight losses.

Ally with player 2. If player 3 allies with player 2, their chance of surviving the war with player 1 is $F(p_2+p_3)$. However, in the next period player 2 will attack player 3. Hence, player 3's expected payoff is

$$F(p_2+p_3)F\left(\frac{p_3}{p_2+p_3}\right). \tag{2}$$

Ally with player 1. Similar to the case above, player 3's expected payoff from allying with player 1 is

$$F(p_1+p_3)F\left(\frac{p_3}{p_1+p_3}\right). \tag{3}$$

Observe from Eq. (1) that player 3's expected payoff from remaining neutral is a convex combination of $F\left(\frac{p_3}{p_1+p_3}\right)$ and $F\left(\frac{p_3}{p_2+p_3}\right)$. It is therefore bigger than the smaller of the two terms, viz. $F\left(\frac{p_3}{p_1+p_3}\right)$. Also, as seen from Eq. (3), player 3's expected payoff from allying with player 1 is smaller than $F\left(\frac{p_3}{p_1+p_3}\right)$. It follows that

Remark 1. In the absence of commitment ability it is never in the interest of player 3 to ally with player 1. Player 3 will either remain neutral or ally with player 2.

The above remark is the key to understanding the potential problems for the British in seeking alliances with local rulers. Given their relative military superiority, the British could have been *unattractive* as allies. The weaker local powers could have preferred to either remain neutral or ally with each other against the British. While the above analysis is conducted in terms of player 3's incentives in case of a 1–2 war, similar analysis will show that in the event of a 1–3 war player 2 has similar incentives — it is never in his interest to ally with player 1.

Note that if player 2 had an ability to make credible commitment to not attack player 3 in the future, then it further undermines the case for player 3 to side with player 1. We have chosen the case most favorable for the British (Tipu Sultan has zero commitment ability) and will show that even with this extreme scenario, the Company needed credibility to find allies.

3.2. Credible coalition promises

We now introduce the possibility of player 1 making a credible commitment to his allies. The commitment takes the form "if you ally with me against my enemy, I will not attack you in the next period and give you a surplus X." We show that a necessary condition for such a commitment to be credible is that there is a cost $c_1>0$ incurred by player 1 for violating it. In the next section of the paper we describe the institutional sources that generated such costs for Company officials in India, after Pitt's India Act of 1784.

Suppose that player 1 has promised amount X to player 3 upon defeat of player 2. Conditional on surviving into the second period, player 1 has the following options and corresponding payoffs π_1 and π_3 for players 1 and 3, respectively.

- Honor the promise. In this case we have

$$\pi_1 = 1-X \text{ and } \pi_3 = X. \tag{4}$$

- Do not honor the promise but do not attack. Now player 1 incurs the cost of breaking his commitment. This gives

$$\pi_1 = \frac{p_1}{p_1+p_3} - c_1 \text{ and } \pi_3 = \frac{p_3}{p_1+p_3}. \tag{5}$$

- Do not honor the promise and attack. This gives

$$\pi_1 = F\left(\frac{p_1}{p_1+p_3}\right) - c_1 \text{ and } \pi_3 = F\left(\frac{p_3}{p_1+p_3}\right) \tag{6}$$

Comparing the above equations, player 1's promise is credible if

$$1-X \geq \max\left\{\frac{p_1}{p_1+p_3} - c_1, F\left(\frac{p_1}{p_1+p_3}\right) - c_1\right\}$$

Given our assumptions, we know that the max in the equation above will be attained at $F\left(\frac{p_1}{p_1+p_3}\right)-c_1$. Hence the condition for 1's coalition promise to be credible is

$$X \leq 1-F\left(\frac{p_1}{p_1+p_3}\right)+c_1. \tag{7}$$

3.2.1. Player 3's choice

Suppose player 1 has offered a credible X to player 3. What should he do, and what are his corresponding payoffs (in the ex-ante sense)?

- Join player 1 and get

$$F(p_1+p_3)\cdot X. \tag{8}$$

- Join player 2 and get

$$F(p_2+p_3)\cdot F\left(\frac{p_3}{p_2+p_3}\right). \tag{9}$$

- Stay neutral and get

$$F\left(\frac{p_1}{p_1+p_2}\right)\cdot F\left(\frac{p_3}{p_1+p_3}\right)+F\left(\frac{p_2}{p_1+p_2}\right)\cdot F\left(\frac{p_3}{p_2+p_3}\right) \tag{10}$$

Let Y denote the maximum of player 3's payoffs from joining 2 or staying neutral. Player 1 will be able to attract player 3 as a coalition partner by promising an X such that

$$F(p_1+p_3)X = Y$$

or

$$X = \frac{Y}{F(p_1+p_3)}.$$

For a (1, 3) coalition to be feasible the smallest X player 3 will accept must be smaller than the largest X player 1 can credibly offer:

$$\frac{Y}{F(p_1+p_3)} \leq 1-F\left(\frac{p_1}{p_1+p_3}\right)+c_1$$

or

$$c_1 \geq \frac{Y}{F(p_1+p_3)}-F\left(\frac{p_3}{p_1+p_3}\right). \tag{11}$$

We know that by definition $Y \geq (10)$, and we have argued earlier that $(10) \geq F\left(\frac{p_3}{p_1+p_3}\right)$. Since $F(p_1+p_3) \leq 1$, the right-hand-side of Eq. (11) is positive. Hence, Eq. (11) will be satisfied only if c_1 is strictly positive.[20] Thus, for a (1, 3) coalition (Company–Maratha) to come into being, the Company had to have some cost for breaking contracts.

Our model has demonstrated a simple point: if the Company was strong, but not credible, it would not have found allies. However, if it had some credibility, and its rivals did not, it might well obtain allies. The Company's envoy seems to have employed an argument very similar to ours in negotiations with the Marathas. Charles Malet (Cornwallis' emissary) argued that even if the Marathas stayed neutral, the Company and Tipu would still go to war. If the Company won, it might offer the Marathas something, but would not feel obliged to treat them well. On the other hand, if they joined the Company, it would be generous in sharing the spoils. And if the Marathas stayed neutral and Tipu Sultan won, they could expect the worst:

> I begged however that the minister in weighing this question [of whether to stay effectively stay neutral by not compromising in the negotiations] would naturally weigh the consequences and recollect that the event of a separate war between Tippoo and the Company would be the ascendancy of one party or the other. If it fell to the Company, they would either make peace on their own terms or admit this state [the Marathas] to a participation of the benefits of that

[20] Note that not *any* positive commitment cost is sufficient: because player 1 represents a greater threat in the future, the commitment cost has to be "large enough."

> ascendancy on their own terms, both of which precluded that reciprocal claim which was now offered to this Court. On the other hand should Tippoo be successful against the Company, I left the Minister to judge what progress the Marratas expected to make against this power, confirmed and invigorated by such success… (Charles Malet to Cornwallis, March 28, 1790, *Poona Residency Correspondence* III, p. 93).

Malet's argument seems to have prevailed. What was the source of the Company's credibility? The next section turns to this question.

4. Why did the Marathas ally with the Company?

Given the history of suspicion that we have previously described, why did the Marathas decide to ally with the Company in the Third Mysore War? Our explanation proceeds in the following steps. By 1784, government officials in London, and the public more broadly, were skeptical of the quality of the Company's administration in India, especially its propensity to engage in costly warfare. Therefore, Pitt's India Act was passed, which discouraged aggressive military action. This was taken seriously by the Company's officials in India, especially Charles Cornwallis (appointed Governor-General in 1786) and the Company became less aggressive. In particular, it passed up opportunities to militarily undermine Mahadji Sindhia, arguably militarily the most powerful Maratha leader, in his various conflicts with North Indian rivals. This reduced the Marathas' distrust of the Company. When the Company approached the Marathas for support against Tipu Sultan, Sindhia did not himself fight alongside the Company, because his territorial interests and anxieties were in North India. However (see below) he persuaded the Peshwa (whose territorial interests were to the South) to ally with the Company, using language remarkably similar to that of Charles Malet quoted above. Sindhia explicitly argued that the Peshwa should ally with the Company because it would honor its commitments. After considerable negotiation eventually the Peshwa came on board. London's efforts to restrain the Company's Indian officials had increased their credibility, and thereby strengthened their hand when they did go to war!

4.1. Pitt's India Act

As the Company began to acquire territory in India it attracted criticism. There was considerable press reporting of corruption and other abuses by the Company's officials in Bengal in the 1760s, including allegations against Robert Clive, the famous general at the Battle of Plassey, and later governor of Bengal. There was concern that the Company's greedy officials were impoverishing Bengal, which was expected to be a highly productive long-term asset for Britain. This concern was intensified after a major famine in 1771, when as much as a third of the population of Bengal may have died. The Company, especially its establishments (Presidencies) in Madras and Bombay, had also engaged in costly and futile wars with the Marathas and Mysore, in some of which it was militarily defeated.

Besides the press and the public, the Company's officials in India were accountable both directly, and through their superiors, to more formal sources of authority. The Company's Court of Directors was answerable to Parliament. The Company had often depended on the King's troops. It had also received what we would today call financial bailouts. This gave the government leverage over the Company, exercised in the form of the Regulating Act of 1773 and subsequently, and especially relevant for us, Pitt's India Act of 1784. Pitt's India Act established a "Board of Control" which supervised the Company's administration, trade, and diplomacy.

A key clause in Pitt's India Act explicitly discouraged war: it stated that "to pursue schemes of conquest and extension of dominion in India, are measures repugnant to the wish, the honour, and policy of this nation" (Marshall, 1968, p. 167). The Act also warned against alliances or treaties that were likely to draw the Company into war in the future. The purpose was to ensure the Company would go to war only in self-defense, or in defense of allies it was already committed to.

4.2. The impact of Pitt's India Act on Company policy in India

For Pitt's India to be effective, Governors-General had to be aware of and responsive to scrutiny from London. There is ample evidence that they were. Edmund Burke, the famous critic of the Company, published a description of an alleged massacre of civilians by Company troops in a publication called the *Annual Register* in 1784. The allegation was vigorously refuted, but its impact is reflected in the fact that Wilks (1810), a Company official who wrote perhaps the best-known political history of South India of that period, still felt the need to address this issue decades later. However, the best example of the accountability of Company officials is the notorious and protracted corruption trial of Warren Hastings, the first Governor-General (1772–1784), upon his return to England (Dirks, 2006). So it is not surprising that Charles Cornwallis, who arrived in India as Governor-General in 1786, took Pitt's India Act seriously. Especially relevant for us, under Cornwallis the Company consistently turned down requests for military help from the Marathas' opponents, and symmetrically, refused to help the Marathas in their conflicts.

When Cornwallis arrived in India he found that his predecessor, Charles Macpherson, had committed to providing the Maratha Peshwa three battalions to be used in defense of his territory, but not offensively. The Peshwa's minister, Nana Fadnis took this to mean the Company would help if the Peshwa attacked Tipu Sultan to recover territories previously seized by him. Cornwallis wrote to another official in 1786 (Sen, 1974, p. 47):

> To my utter astonishment I find this Government pledged to lend three battalions of sepoys from Bombay to the Marathas to defend the possessions of the Peshwa, but not to act offensively against Tipu…. The business now is to get out of this

> scrape. I must declare to the Marathas that I have brought particular powers and instructions and that I cannot confirm that engagement of the former government as I am positively prohibited from interfering in the disputes of any of the Country Powers except those whom we are bound by treaty to assist.

Cornwallis stuck to this view despite the fact the Marathas were offended. Kirkpatrick, Cornwallis' envoy to Sindhia explained to him that since the Company had signed a peace treaty with Tipu Sultan, it could not act against him; *it was not a matter of personal choice — Cornwallis' hands were tied*. Kirkpatrick described his conversation with Sindhia in a letter to Cornwallis (*Poona Residency Correspondence* I, p. 152):

> My fifth observation was, that it was not singly the earnest desire of your Lordship to preserve our faith inviolate, with all those Chiefs between whom and the Company there subsisted treaties, but that this was a law and rule of conduct prescribed by the general law of the English nation, as well as by our King, and by the Company, and that therefore your Lordship had as little power as inclination to depart from a system established by such authority.

Kirkpatrick went on to argue to Sindhia that this behavior by the Company should inspire trust, because it proved the Company took its commitments seriously (p. 152–153).[21]

Cornwallis followed up this assurance by giving up several opportunities to intervene militarily against the Sindhia and reduce his influence. Kirkpatrick was resentful of Sindhia's expansion in North India. Seeing an opportunity to clip Sindhia's wings, he wrote to Cornwallis (January 25, 1787, p. 124), saying that Sindhia has "a design of annexing Saharanpur and its dependencies." He enclosed a letter he had sent to a Colonel Harper asking him to initiate some preliminary mobilization of troops, expecting that even rumors of British mobilization effect might discourage Sindhia. Kirkpatrick then asked Cornwallis for guidance regarding (*Poona Residency Correspondence* I, p. 125–26) "an open [military] interposition on our part for the purpose of preserving Saharanpur and its dependencies in the hands of their present possessor." Cornwallis firmly rejected this idea: "... I have directed Colonel Harper to put an end to all rumours of movement of our troops." (p. 127–128). Historians like Jadunath Sarkar interpret this as Cornwallis restraining the "imperialist" Kirkpatrick (p x, introduction to *Poona Residency Correspondence* I).

In another instance, a Gosain Chief (one of Sindia's numerous military opponents) who had taken refuge in Awadh was planning an attack on Sindhia. The English representative in Lucknow took note of this and intervened to stop this. He described his next steps to Cornwallis as follows:

> I applied to the Vizier to prevent this proceeding, as being contrary to the friendship subsisting between our Government, his own, and the Maratha state. His Excellency saw the propriety of my advice and wrote immediately to the Gosain in terms to prevent his adopting any measures that might be injurious to the affairs of Sindia. I have the Honor to enclose a copy of the Vizier's letter to the Gosain Chief and I have furnished the Maratha vakeel [agent] with another copy, that may immediately convince his master how ready we are to prevent any improper behavior in any person's dependant on our own or the Vizier's government, where his interests were concerned. (G. Harper to Cornwallis, August 17, 1787, p. 222 *Poona Residency Correspondence* I).

On another occasion, Cornwallis restrained himself in a dispute with the Marathas, writing to Malet that though military action was consistent with "the injunctions of the [Pitt's India] Act" it might "öccasion some alarm at home" (*Poona Residency Correspondence*, volume II, p. 141, letter dated May 5, 1789).

In short, after Pitt's India Act both the Company's rhetoric and its behavior changed and became less threatening to the Marathas.

Cornwallis expected that the Company would eventually go to war with Mysore, but had to bide his time, because, as mentioned above the Company had signed a peace treaty with Tipu Sultan. However, when Tipu Sultan attacked Travancore (December 29, 1789) Cornwallis had his chance. In the 1784 treaty between Tipu Sultan and the Company the Raja of Travancore was explicitly mentioned as a "friend and ally" of the Company, whom Tipu was forsworn not to attack.[22] Now that Tipu had, in Cornwallis' view, violated the agreement, he felt free under the terms of Pitt's India Act to go to war. Cornwallis now decided to approach the Marathas. He wrote to Malet to tell the Marathas that, by joining the war against Tipu Sultan they would recover land formerly lost to him. Moreover, "being now set at liberty by Tippoo's breach of treaty, we will further agree to contract a

[21] "Seventhly, I remarked that your Lordship entertained the most sanguine hopes that such a principle of policy, so far from giving offence to any Chief whatsoever, would have the effect of inspiring all with confidence in the honour of our government since it furnished an unequivocal argument in favour of our justice and good faith, which certainly might have been reasonably brought into question and suspected, had we taken part with the Marathas in their present war against Tippoo. It was true, I continued, that we had heretofore been engaged in hostilities with Tippoo; but then these having been succeeded by a treaty of peace and friendship, to recommence them without provocation would be clearly be to violate our faith. Our conduct therefore, I added, bearing in this respect the strongest testimony to the sincerity of our declarations and to our character for honour and good faith, we had reason to expect that no doubts on this score would be entertained by any Chief or State whatsoever."

[22] Article 1 of the Treaty of Mangalore began as follows: "Peace & friendship shall immediately take place between the said Company, the Nabob Tippoo Sultan Bahadur & their friends, and allies, particularly including therein the Rajahs of Tanjore & Travencore, who are friends & allies to the English and the Carnatic Payen Ghaut, also Tippoo Sultan's friends & allies, the Biby of Cannanore, and the Rajahs or Zemindars of the Malabar coast, are included in this treaty, the English will not directly or indirectly assist the enemies of the Nabob Tippoo Sultan Bahadur nor make war upon his friends or allies, and the Nabob Tippoo Sultan Bahadur will not directly or indirectly assist the enemies, nor make war upon the friends or allies of the English."

defensive alliance with them for the mutual guarantee of the territories of which we may be respectively possessed at its conclusion" (*Poona Residency Correspondence* letter # 60, volume 2, p. 55).

4.3. Maratha perceptions of the Company

We have seen above that the Company in India repeatedly told its Indian allies about London's supervision of their activities. But the Marathas also had first-hand evidence. In 1778 Raghunath Rao, a Maratha chieftain and former Company ally who had fallen on bad times composed a letter to the English King appealing for support, and asking him to supersede the authority of Company officials in India. Rao sent a team of emissaries to London to deliver the letter to the King. The team, which reached in 1781, was strongly supported by Edmund Burke (and other critics/enemies of the Company), who housed them, and helped arrange various meetings. Still, the team was bounced from one set of authorities to another, and was eventually unsuccessful in obtaining British support for Raghunath Rao. However, Fisher (2004, 661) reports that "the mission gained valuable intelligence, especially highlighting the divisions within British domestic politics."[23]

The Marathas' recognition of the Company's power structure and the constraints imposed by London is reflected in both the Poona Residency Correspondence as well as Marathi sources.

The Peshwa's negotiator repeatedly invoked this knowledge of the Company's institutional structure in the negotiations preceding the Third Mysore War. Malet wrote to Cornwallis on June 3, 1789 (*Poona Residency Correspondence*, Volume 2, 143).

> At the same time Behroo Punt [the Peshwa's negotiator] started the old topic of this Courts' sending a minister to England.... I think it sufficient to acquaint your Lordship that the design seems founded on an idea that has been conveyed to this Court from some quarter or other, of the distinction between the King and the Company and of an opening thereby presenting of advantageously pursuing its interests by a skilful [sic] conduct of its negotiations with the Company or His Majesty's ministry as circumstances might dictate…

The Peshwa's representative in the Mughal court in Delhi wrote to Nana Fadnis, the Peshwa's minister in 1786 (our translation from Marathi)[24]:

> The English are … clever and intelligent. But, at least at present, they do not have any inclination to meddle in these [the Marathas' North Indian] affairs. The Bada sahib [Senior Official] here [in Lucknow] writes to the company back in "vilayat" [abroad] for guidance. What they will do depends on the signal they will get from there.

The following excerpt from a request for help (which was rejected) delivered by an emissary of Sindhia (November 14, 1787) to William Palmer, the Company's Resident, is also revealing. It suggests that Sindhia expects to encounter the argument that superiors in England are tying the Company's hands in India (*Poona Residence Correspondence* I, p. 269).[25]

> At present the Rajah of Jaynagar, the zamindars and inhabitants in the neighbourhood of Agra and Delhi, and some Sikh Chiefs have behaved improperly to Mahajee Sindia, by disobeying his orders, raising the standard of rebellion to resist his power and by several other acts. *It is known to Mahajee Sindia that the orders from Europe to the illustrious English Chiefs are, not to send troops to fight in the territory of strangers*, but…..he wishes the illustrious English Chiefs or the Nabob Vizier [of Awadh] would assist him with a force… [italics ours].

The consequence of the Company's changed rhetoric and behavior was that, at the crucial moment, when the Company wanted the Marathas' help against Tipu Sultan, Sindhia argued the Company's case. He communicated to Nana Fadnis (the Peshwa's minister) via his emissary on March 3, 1790 (our translation from Marathi)[26]:

> So, the English are going to act against Tipu [Sultan, ruler of Mysore] and if we ally with them and provide them with military help, then [subsequent to the victory] they will restore to us our territories exactly as per our agreement with them. I can provide you with this assurance. If in spite of me saying this, it is decided that we should not ally with them, it will cost us dear. Just note that while Tipu is only limited to Karnatak, the English are all over the place. Therefore, after they have dealt with Tipu, they will turn on us and we will not be in a position to cope with them.

Eventually, as we know, the Peshwa allied with the Company. We do not have direct evidence of how Nana Fadnis (the Peshwa's minister) himself viewed Cornwallis' policy of neutrality. There is a small indication, though, that he was persuaded of the idea that the Company took its agreements seriously. This is reflected in an elaborate negotiation he undertook with the

[23] This was not the first time an Indian regime had attempted to go over the heads of the Company administration in India. The Nawab of Arcot had done something similar in 1767 (Bowring and Lewin, 1899, p. 82).

[24] This source is Dillī yethīla Marathyāñcī rājakārane, athavā, Dillī yethīla Peśavyāñce vakīla Hingane hyāñcā patravyavahāra : I. Sa. 1780-I. Sa. 1789, edited by D.B. Parasnisa (1913), covering letters written over the period 1780–94.

[25] The original was in Persian, which was translated into English for Cornwallis.

[26] The source is *Historical Papers of Mahadji Sindia* (in Marathi, Sardesai, 1937) containing among other things the communication between the Peshwa's emissary in Sindhia's court, Appaji Rao, and his employer. We are quoting letter 569, p. 804–05.

Company over the meaning of the word "district" in the written agreement signed before the Third Mysore War (*Poona Residency Correspondence* letters 82 and 83, March 26 and March 28, 1790, pp. 90–95).

4.4. Maratha perceptions of Tipu Sultan

In contrast with the Company, Tipu Sultan had been very aggressive, even after signing agreements. In 1785, Tipu and the Marathas entered into a dispute involving the taxation of a minor chieftain whose land, formerly in Maratha territory, was now under Tipu's control. After mutual threats and military mobilization by both parties, an agreement was reached, which guaranteed the safety of the chieftain. Duff (1826, p. 5) reports that Tipu Sultan then practiced a "gross deception." The chieftain and his family were "treacherously seized; his daughter was reserved for the Sultan's seraglio, and the rest were immured in a Cabuldroog [a fortress] where they perished."[27] Another example of contract violation occurred after the war of the mid-1780s referenced above (Tipu Sultan versus Marathas–Nizam) was ended by the Treaty of Gajendragad. Tipu immediately violated the agreement and seized a region called Kittur. This incident was later invoked by Charles Malet, persuading the Marathas to join the Company against Mysore: "…[H]as he [Tipu] not lately infringed the treaty concluded with you, and insulted your honour by the violent seizure of Kittor…?" (Sen, 1974, p. 70).

5. Hyderabad's decision-making

The decision-making of the Nizam of Hyderabad, though not important in determining military outcomes, was important for the legitimacy of the Company's war strategy.[28] It is also revealing regarding the relative credibility of the Company and other regimes. As we have mentioned earlier, the Nizam was the weakest of the four players; his long-term goal was survival, not expansion.[29] Tipu failed to acquire the Nizam's support despite his appeals to their shared religious background (Muslim) and even talk of inter-marriage as a way of sealing their collaboration (Duff, 1826 Volume III, p. 41).[30] Even more remarkably, when the Triple Alliance (Company, Marathas, Nizam) was being negotiated, the Nizam was concerned that if he joined the attack on Tipu Sultan, the Marathas might attack his capital when his troops were away, and sought guarantees from the Company that it would protect him in that eventuality (Cornwallis to Captain Kennaway, *Poona Residency Correspondence* III, April 12, 1790, p. 102). Cornwallis' view was that to include such guarantees in the treaty would be insulting to the Marathas but he told his envoy to tell the Nizam "in the most explicit terms" that if he lived up to his end of the bargain, the Company would protect him. Finally, just as he had with the Marathas, Cornwallis invoked the King's authority:

> You can also remove all his apprehensions respecting the stability of our treaties by stating to him that as all treaties which are made in India must now be communicated to the King's administration in England, whose duty it is to take care that the national honor shall not be injured by a breach of public faith, there will not be the least risk that any future Governor-General will venture to infringe any of the treaties that shall be concluded by me.

Cornwallis was saying, in effect: Trust me and my successors, because our hands are tied by our superiors.

6. Did the Company honor its promises after the Third Mysore War?

The Third Mysore War was long and hard-fought, with the Triple Alliance (Company–Marathas–Hyderabad) taking on Tipu Sultan. Hostilities effectively began on December 29, 1789, when Tipu Sultan attacked Travancore, the Company's ally. After two years of struggle, Tipu finally acknowledged defeat, and opened negotiations for peace on February 6, 1792. He had to surrender as much as half of his territory. We have argued the decision by the Nizam and the Marathas to ally with the Company was a rational choice — they had some reason to believe the Company would live up to its commitments. Their expectations were met. When it came to the distribution of the spoils of war, the Marathas and Nizam did well. Tipu's territories were assessed to have a revenue of 24 million, of which he surrendered one-half. As previously agreed, each of the allies received areas yielding one-third of the surrendered revenues, worth four million (Forrest, 1970, p. 192). The Marathas received Dharwar, a region they and Tipu had repeatedly fought over.

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[27] Tipu Sultan is a much-vilified figure in Indian history, and we should worry about "orientalist" descriptions of him, especially by contemporary British writers. However, this incident is described in a similar manner by Sardesai (1968, Volume III, p. 178), considered a standard source on Maratha history. And in any case, for our purposes, it is the perceptions that matter.

[28] We thank a referee for pointing this out.

[29] Even during the Third Mysore War Malet wrote to Cornwallis (Sept 14, 1791, *Poona Residency Correspondence* II, p. 215): "....[Y]our Lordship will have collected from dear bought experience of the Nazim's force that his Hs.'s weight must be derived more from management than efficient power, and that while the Peshwa's object is predominance, his is safety; in a word that the Peshwa is our rival in power, the Nazim a candidate for security…"

[30] An interesting perspective on this proposed marriage alliance is provided by Mir Hussain Ali Kirmani, who worked for Haidar Ali and Tipu Sultan, 1781–86, and was pensioned by the British (Brittlebank, 1997, p. 12). Kirmani (1997) wrote a two-volume history of Haidar Ali and Tipu Sultan, completed by 1802, which was translated from Persian into English in 1842–1844. Kirmani suggests the Nizam rejected the marital alliance because he "entertained the vain and absurd opinion, that except himself, no one of the princes of Dekhan was of noble lineage," and the marital alliance would have been a "disgrace" (p. 70).

In hindsight, it appears that the Marathas and Hyderabad likely made the right choice. Left to itself, the Company would have most likely defeated Tipu Sultan, and seized significant territory. The Company would have been stronger, and the Marathas and the Nizam would have gained nothing. By allying with the Company they had made territorial gains as well.

7. Concluding remarks

The East India Company's conquest of India took place over a long period, and has been discussed extensively by historians as well as contemporary observers. This was one among many European conquests in the 18th and 19th centuries in which military superiority played an important role. In late eighteenth century India, though, the European technological/organizational advantage was not utterly overwhelming especially because there was, to some extent, a "market" for it, via the operation of mercenaries and competing European powers. The behavior of Indian states — their inability to unite against the EIC and, especially, their inclination to *ally with it* were helpful to the Company, and have been noted by many historians. This behavior has not to date received adequate explanation. Nationalist Indian historians have lamented the "myopia" of Indian regimes, their inability to think two steps ahead. Unconvinced by this explanation, we turned to a specific Indian-Company alliance, in the context of the crucial Third Mysore War. The evidence suggests that the highly strategic and by no means myopic Marathas, with some history of suspicion of the English, allied with the Company against Tipu Sultan because, *restrained by its superiors in London*, the Company in India had acquired some credibility.

While we have highlighted the role of the institutional changes, we should also consider another reason why the Company may have been more credible than Tipu Sultan: The Company was a new regime, which had not yet had the time to build up long-term enmities; this could have facilitated alliance formation. Though this argument is a priori plausible, we should note that repeat business can generate cooperation as well as distrust. More to the point, Mysore was a newer military power than the Company. Tipu Sultan was only second in line — the dynasty had been founded by his father, Haidar Ali, only in 1761. The Company had been militarily active in South India for longer.

Having focused on only one episode, however important, we should be cautious about generalizing our argument to other landmarks in the Company's conquest of India. We conclude, however, by noting one suggestive piece of evidence. The Mutiny/First War of Independence of 1857 was in part a consequence of the Company *breaking* its pledges to Indian princes, who then united against it. After the rebellion was crushed, the Crown took over direct rule of India, having lost confidence in the Company. The importance of British commitments to Indian rulers was recognized, and Queen Victoria pledged to respect their privileges. The "Native Princes" were recognized as allies of the British Raj, and their position was henceforth secure, up to Indian independence. Evidently, the honoring of promises, or at least some recognition of the constraints they imposed, was necessary not only for acquiring power, but also for retaining it.

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