TRADE AND FINANCE IN THE BENGAL PRESIDENCY

1793-1833

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By

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Abstract

This thesis aims at analysing the inter-connection between trade and finance in the Bengal Presidency between 1793 and 1833 - a period of transition from monopoly to free trade and of rapid growth of the British Empire in India. The introduction explains the original contribution of the thesis. The first Chapter gives an account of the vicissitudes of trade and finance between 1785 and 1793 which forced the Company to allow remittance of private fortunes through a definite portion of its tonnage. The second Chapter describes the breakdown of this arrangement under the impact of war in India and Europe. The private traders demanded cheaper freight and Wellesley, pressed by military exigencies, allowed private trade in Indian ships to secure cheap capital from England and to scotch clandestine trade through the foreigners.

The old shipping interest defeated this plan. The third Chapter describes the effects of the Maratha War and stagnation of trade on the Company's home finance which led to the abolition of its India monopoly. The fourth Chapter deals with the effects of free trade speculations and Hastings's imperial and financial policies registered in the fall of exchange and exodus of capital. The fifth Chapter describes the financial policy which ended in a hectic indigo speculation, the Burma War which caused scarcity of capital, the trade depression which combined with them to destroy the agency houses inspite of Bentinck's efforts and the abolition of the China monopoly. The conclusion analyses the effects of the British impact on the Indian economy. The thesis is based on manuscript official records of the Company, the private correspondence and papers of Dundas, Wellesley, David Scott, Bentinck, Ellenborough etc., the Palmer Papers, the Bengal Commercial Reports, the Bengal Financial Letters and Enclosures and the contemporary pamphlets, books, journals and vernacular newspapers.

C O N T E N T S

Abbreviations

App.	-	Appendix
Add. MSS.	-	Additional Manuscripts
Baz. mds.	-	Bazar maunds
B.T.	-	Board of Trade
B.B.T.	-	Bengal Board of Trade
Comm^{l}.	-	Commercial
Consult	-	Consultations
C.R.	-	Current Rupee
Dept.	-	Department
Eur. MSS.	-	European Manuscripts
Fact. mds.	-	Factory maunds
Fin. Com.	-	Financial Commercial
G.G. in C.	-	Governor General in Council
Home Misc.	-	Home Miscellaneous
H.M.C.	-	Historical Manuscripts Commission
I.O.	-	India Office
md.	-	maund
P.R.O.	-	Public Record Office
Parl. Deb.	-	Parliamentary Debates
Parl. Hist. N.S.	-	Parliamentary History New Series
Proceed.	-	Proceedings
S.C.H.L.	-	Select Committee of House of Lords
S.C.H.C.	-	Select Committee of House of Commons
S.R.	-	Sicca Rupee
Terr. Fin.	-	Territorial Financial
Terr. Salt. Op.	-	Territorial Salt and Opium

Introduction

This thesis deals with trade and finance in the Bengal Presidency between 1793 and 1833. Romesh Dutt's Economic History of India under Early British Rule is the only major historical work in this field which covers the same period. Moved by the Indian middle class ethos at the end of the nineteenth century, breathing deeply of the Gladstonian liberalism in the air, Romesh Dutt looked at Indian history with a utilitarian's and a free trader's bias. He followed the old tradition of Mill and Wilson. Trade during the Company's rule was to him an engine of destruction of the native industry; finance, a medium of drainage of the native wealth; revenue policy, an insurmountable obstacle to agricultural improvement and military and administrative expansion, an orgy of patronage resulting in the huge India debt. Economic transition did not appear to him as something evolving out of the complex interplay of changing economic and political forces. He saw them as unconnected strands and missed the inter-woven texture of growth.

Inland trade, industry, external trade and finance he dealt with separately - while they would have been intelligible only in the context of the inexorable expansion of an European frontier society in India, of the overwhelming challenge of an industrial economy to a domestic economy.

The writer of the thesis felt dissatisfied with this sort of institutional history which is, in the last analysis, a plea and a programme for a certain class. Professor C.H. Philips's East India Company 1784-1834 suggested to him a possible clue to the development of this period. It is not a work on economic history and it deals with commerce and finance incidentally. But it contains a pregnant suggestion - the interconnection between political expansion, trade and finance. It covers about the same period and has been the greatest possible help as it has given the intricate political background against which the economic forces had moved in the late eighteenth and the early nineteenth centuries. By reducing the East India Company into component interests which dominated its policy at different stages and by analysing their relations with the Board of Control and, through it as well as the parliament, with the Government, he has revealed, what the institutionalists had missed - how policies were actually made at Leadenhall. It dispels the cobwebs of the Whig and the free trader's bias from the true portrait of the East India Company.

Application of this suggestion to a particular period of Indian history was made easier by Dr. Holden Furber's brilliant study of John Company at Work between 1783 and 1792, the decade which precedes the forty years reveiwed in the present thesis. With a remarkable wealth of evidence he has unravelled the interconnection between trade and finance in the late eighteenth century which led to the British expansion in India at the cost of all other foreign Companies and, in that process, has drawn attention to the seminal role of the private British capitalist in India who, in the absence of facilities of remittance through direct trade with London, was more and more investing in that expansion.

It is the story of the relations between the Company's Government in the Bengal Presidency and the private British capitalist between 1793 and 1833 which forms the original contribution of this thesis. It aims at obtaining a conception of the interconnection between trade and finance, the imperial and the economic development during a period of fundamental transition from monopoly to free trade and from the British Empire in India to the British Empire of India. It brings into focus the inevitable contradictions between the dual aspects of the Company as a trading monopoly and as a Sovereign power. It analyses the different and often conflicting interests which were concealed under the common appellation of the private British capitalist (as Professor Philips has done with the Company itself) - the servants of the Company, the creditors of the Company, the free traders and the manufacturers. It traces the chequered career of the agency houses which gave a unity to these interests - connecting them on the one hand to the capitalists whose money they invested in trade, plantation or Government Loans (which financed the imperial expansion) and on the other to the British manufacturers whose capital they drew in the form of goods they sold and whose raw materials they supplied. It shows how the needs of the Company's Governments became inextricably intertwined with the needs of the private British capitalists and how the dependence of the former on the latter proved to be the greatest weakness of the Company abroad as the alliance of the latter with the manufacturing interest proved fatal to its monopoly. Thus seen, the picture which seemed to be one of unmitigated conflict, appears also as one of co-operation.

It is best illustrated in the background of the Bengal Presidency which was the political as well as the financial and commercial base of the British power in India. The concept of the Bengal Presidency was a dynamic concept. It was always on the move like the West in America - its frontiers were receding further and further till, by 1833 it engulfed almost the whole of Northern India barring the Punjab. To the "original possessions" of Bengal, Behar and Orissa, acquired in 1765, Benares had been added by 1790. The Nawab of Oudh ceded the districts lying on the eastern, southern and western boundaries of his Kingdom in 1801. The Peshwa ceded Bundelkhund in 1802. Wellesley's Maratha War (1803-5) yielded Cuttack, Roygurh and districts in the Doab, situated in the east and west-ward of the Jumna, including Delhi and Agra. The Marquess of Hastings conquered (1817-19) from the Bhonsle - a large territory south and north of the Narmada, from the Pindaris - Saugor, Hutta, Bhopal etc., from Sindhia - Ajmere and from Holkar - districts within and north of the Boondie Hills, lying south of Jaipur. The Burmese Government ceded in 1826 Arracan, Tavoy, Mergui, Tennasserim, Assam, Manipur. Cachar and Jaintia.

The momentum of such an expansion over a period of thirty years would have been terrific even for a western nation. But this was not all. Over and above this Bengal was called upon to finance the wars of the other Presidencies, to bear the cost of defence against the French and their allies and to foot a substantial part of the bills of warlike expeditions to the Red Sea, the Eastern Islands (twice - once under Shore and the second time under Minto) and the French Islands. On the resources of Bengal, the best part of which had been permanently fixed, the repercussions of this expansion were disastrous. When the investment and the home charges were added to these well-nigh unbearable burdens, the Bengal Government had to rely on extraordinary resources the most important of which were loans from the private British capitalists who were mostly its servants or ex-servants.

This brought the Government in close connexion with the agency houses who were the representatives of these capitalists and were, like the Government, dependent on their capital in a narrow money-market. Either the Government or the agency houses would suffer when the creditors diverted capital from one to the other as the conditions of trade and money-market dictated. The agency houses were injured when the Government increased interest rate or put obstacles before trade. The Government was injured when agency houses, due to stagnation in trade or failure of indigo speculations, were forced to sell their holdings of Public Securities or stopped buying opium. The Government's financial policy, like funding of debt or reduction of interest, caused transfer of capital to England which reacted no less severely on the Government than on the agency houses. Its commercial policy of charging high freight or banning India-built shipping or monopolising silk caused clandestine trade or a speculative rise of prices which hurt the Company no less than the private traders. The mutual interests of the Government and the agency houses forced both to work out a modus vivendi. The servants of the Company, who were the creditors of both and had a stake in the survival of both, saw to that. The Government helped the agency houses with loans in times of trade depression and financial crisis or followed a cheap money policy; the agency houses helped the Government by contributing to its war-loans, accepting its discredited paper and facilitating its China remittance through the opium trade. They were both eager for import of capital from England which, by relieving the pressure on the money-market, would lessen the cost of Empire and trade.

Here the third important force comes in - the British manufacturing interest. The agency houses and the manufacturers were also interdependent - the former for import of capital in the medium of British manufactures and the latter for the opening and development of the Indian market. The considerable commission the agency houses obtained from the manufacturers enabled them to suffer positive losses for years until the phenomenal improvement of technique and reduction of the cost of production since 1812. Their interests and, therefore, approach were common so far as the Company's monopoly was concerned. Manufactures, if unsold in India, could not be pushed into the East Indies or the China market and capital could not be invested in large scale production of Indian raw materials due to a ban on European ownership of land, licence laws, internal customs and competition of the Company's remittance trade. Intermittent depression in British trade and shipping during this period lent an edge to the demand for greater facilities of remittance by the agency houses and for further opening of markets and development of raw materials by the manufacturers. It is significant that each Charter period was in the trough of a trade cycle.

The struggle against monopoly was thus conducted simultaneously in India and Britain. In India the private capitalists received the tacit, often an open, support of the Government; in Britain they received the support of the manufacturers and the ship-owners. Between them the Company was hard pressed throughout the period and had to yield first its India and then its China monopoly. In 1833 India was finally opened to the full impact of the Industrial Revolution and the British capitalist development. The Board of Control and the British Government played the role of arbitrators in these disputes. All the Charters granted between 1793 and 1833 were in the nature of compromises but inevitably registered the gradual ascendancy of the superior economic force of industrial capitalism.

No monolithic conception of history emerges from this study. The pattern of co-operation or conflict was never absolute. Nor were the same interests always on the same side. A conflict between the shipping and the private trade interests was always latent within the Company while the contradiction between the interests of the group of lenders and group of borrowers (the agency houses) among the private British capitalists often became apparent during financial and commercial crises. On the question of the British tariff the Company and the agency houses were on the common ground while, only in the last phase, did the manufacturing interest turn a qualified free trader. Private capital invested in British shipping was inimical to private capital invested in Indian shipping. The outports did not see eye to eye with London and the established agency houses did not welcome the free traders with open arms. The determining cause of transition from monopoly to free trade has been found in the political and economic exigencies rather than in the arguments of the theorists or the blind forces of class war.

Apart from the Parliamentary Papers and the printed official records, the writer has used manuscript official records like the correspondence between the Government of Bengal and the Court of Directors in different departments between 1792 and 1833; the Proceedings of the Bengal Board of Trade and other departments where necessary; the correspondence on financial and commercial matters between the Board and the Court; the Charter Papers; the private correspondence and papers on the issues involved like those of David Scott (mostly edited by Professor Philips), Wellesly, Bosanquet, Liverpool and Huskisson (in the British Museum), Bentinck (in the Nottingham University Library) and Ellenborough (in the Public Record Office); the private correspondence of the East India agents like William Fairlie (in the Commonwealth Relations Office Home Series or Charter Papers) and John Palmer (in the Bodleian Library, Oxford). For trade he had availed himself of a very valuable series of manuscripts in the Commonwealth Relations Office Library, the Bengal Commercial Reports which, besides giving the Customs House records of Bengal's external and internal trade, give a comparative study of trade with each quarter of the world and important informations on freight, shipping, prices in the Calcutta market etc. For finance he has depended on a similar series in the same library - Finance, Bengal Letters and Enclosures Received (Board's Copies) - which not only contain the financial letters from the Bengal Government but the annual reports of the Accountant General of Bengal which furnish a detailed survey of all financial transactions in the Presidency, the estimates and actual accounts and information on the Bengal money-market. On shipping he has drawn from a contemporary compilation by an employee of the Master Attendant's Office and informations in the Bengal Commercial Reports. The contemporary pamphlets, journals and magazines and the files of some of the fernacular newspapers have also been consulted.

CHAPTER I

The Charter of 1793

In this chapter I propose to analyse the financial position of the East India Company at home and abroad as well as the trends in trade relations between India and England between 1784 and 1792. At the beginning of this period the Company, almost ruined in the course of the War of ~~the~~ American Independence, the First Maratha and the Second Mysore Wars, had been brought under the control of the State. At its end, after six years of peace and partial recovery, it had fought and won another Mysore War and was on the point of entering the long spell of the Revolutionary and Napoleonic Wars. The end coincided also with the renewal of its Charter when the protagonists of free trade, who had already exacted various concessions, made a concerted attack on its monopoly, and persuaded the State to embody their rights and privileges formally into the Charter of 1793.

The balance-sheet of the Company always defied precise analysis and the more so in the last quarter of the eighteenth century when its revenue and commerce and India and China affairs were inextricably mixed up. It is not surprising when we consider the many variable factors that entered into its computation, like the revenues and charges in India, the rate of interest on loans and the sale value of exports etc., and the unknown quantities that had to be reckoned with, such as stocks in warehouses, shipping losses, imports in honest as well as clandestine trade by the foreign companies, the amount of private and privilege trade and of the bills of exchange drawn from different Presidencies in India on different accounts which the Company had to meet in London. The India budgets were half guess-work and half based on stale statistics, likely to be corrected in the next letter from Fort William. Dundas worked on estimates about which Francis "remained fixed in opinion" that they "might be so cut and contrived as to be made capable of supporting any assertions, however glaringly monstrous or absurd."(1) It was impossible to keep pace with the kaliedoscopic march of events in India which set all Leadenhall Street calculations at nought, turning certainty of prosperity into despair or bringing relief to imminent bankruptcy with an Olympian whim. It is true as William Playfair said, "Millions upon millions, and crores upon crores appear to vanish like Chinese shadows ~~bearing~~ leaving but a remembrance behind,"(2) but this was inevitable and implicit in the very nature of this unique institution. The East India Company was continually and rapidly growing and an autopsy was impossible at a particular time in a particular year.

undas's attempt t a balance-heet

Nevertheless attempts to reconstruct its balance-sheet have to be made if we are to gain an idea of the financial structure of the Company. Rough sketches were occasionally drawn in the eighteenth century, when new stocks had to be raised or bonds floated or when the State was called upon to help it out of some crisis. Dundas tried to grapple with a balance-sheet from his

(1) Parl. Hist. XXVI P.160, XXVII P.566.
(2) Strictures on the Asiatic Establishments of Great Britain. Pamphlet, London, 1799.

first budget in May, 1788, adding "incompleteness to unintelligibility,"(1) for he left out commerce. Francis Russell, Solicitor to the Board of Control, made one in 1790.(2) The enemies of the Company were always eager to draw balance-sheets in order to clinch their arguments against monopoly and the Company was forced to defend itself with elaborate statistical data. An analysis of one will bear out the faulty nature of these earlier attempts.

Dundas, in his budget speech of 25th February 1793, was optimistic of the situation. In his view the net surplus revenue of the Company's Indian possessions on the average of three years - 1787-88 to 1789-90 - was £1,614,013, that of Bengal alone being £2,322,897. The estimated net surplus of 1793-4 (Dundas was rash enough to ignore the intermediate years the accounts of which were interrupted due to the Third Mysore War) was £1,725,000, Bengal's contribution being £1,986,000. Deducting interest to the extent of £561,923 on the India debt amounting to £6,669,082 and adding £350,000 stipulated for goods exported from Europe and for certificates to the commanders and officers, the fund available for the investment would amount to £1,409,127 which included

(1) C.H. Philips, The East India Company 1784-1834. Manchester University Press, p. 65.

(2) "Concentrated view of the Affairs of the East India Company regarding their Commerce and Finance" 14 April 1790 Home Misc. 208, pp. 195-211.

China supplies worth £250,000.(1) The commercial profit on India trade in the last three years (March 1790 - March 1793) was on an average of £351,831(2) which might be estimated in future at £239,466 per year. Taking both India and China trade into account the average profit of the same period came up to £434,581. The excess of annual receipts over payments of the Company at home (including payment of a 8% dividend) amounted to £1,239,241 of which as much as £1,059,027 was derived from the Indian revenue. An analysis of stock per computation on 1 March, 1793, showed £855,408 in favour of the Company.(3)

Real Situation: When we look to the debt-account, however, the other side of the picture comes into view. Total debts in India on 31st January, 1792, amounted to C.R. 9,08,45,508(4) - debts bearing interest being C.R. 6,93,39,432 and interest payable per year C.R. 59,22,097. This last enormous sum had to be deducted from the gross surplus revenue of India before it could be applied to the purchase of investment while a provision for payment of the principal was immediately called for if the

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(1) Funds available for investment in future:
Surplus revenue - £1,725,000
interest on debt- 561,923

Est. of sale value of exports from Britain and sum received for certs. to commanders.	£1,163,077
	350,000
	£1,513,077

Dundas makes other adjustments to bring it to a minimum of £1,409,127.

(2) Dundas admitted that this did not include interest or insurance charges and was not a mercantile profit.

(3) Mr. Dundas's speeches on East India Finances, Heads of Mr. Dundas's Budget Speeches cf. 25 Feb. 1793

(4) A current rupee is a book-keeper's fiction worth 2 shillings.

vicious circle of loans to repay earlier loans was to be broken. Debts at home, exclusive of the capital stock, whose nominal amount was £5,000,000 but real worth £7,780,000,(1) totalled £9,247,019. The debts, transferred from India according to the plans of 1785 and 1787, swelled them further to £10,601,069. Total assets at home and India were calculated to be £17,113,854, most of which had been long locked up in buildings, forts, warehouses etc.(2)

Let us now look at the commercial aspects of the East India Company which indeed were dismal. Dundas's estimate of stock per computation did not include capital which, so corrected, puts the balance against the Company at £4,144,592.(3) The gain from India and China trade during 1780-1790 amounted to £1,866,420 which gives £5.16.8.% on the original capital of £3,200,000, and if the profits on export trade during the same period, £976,278, be added, the out turn increases to £8.17.8.%(4) Holden Furber calculating on the real value of the stock, puts it at 5-5½% and sees reasons for adding to the deficit. On the whole ".....the owners of East India Stock could presumably have liquidated their vast concerns without going very deeply in the red, but they could

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(1) Holden Furber, John Company at Work. Cambridge, Harvard University Press. 1948, p. 268.

(2) Leaving out dubious debts owing to the Company, Francis Russell calculated Indian assets at £5,305,806, and assets in England at £12,776,692. op.cit.

(3) App. XXIII to the Report of the Committee of Accounts, 15 Feb. 1793. Home Misc. 401, p. 193.

(4) Home Misc. 208 pp. 228-29. Another account places it at £7.2.6.% George Anderson calculated a loss. cf. Francis Russell's Considerations etc. I.O.Charters Vol. 9, pp. 167-68.

not have recovered either the nominal or the actual amount of their investment" and "we must also think of the investment of at least £6,000,000 in the Company's India bonds as also wiped out." (1)

To sum up, in spite of its rapidly increasing acquisitions in India, the Company in 1792 was financially most vulnerable and was conducting a trade which no prudent merchant would consider profitable. As Dundas confessed, the Company went on with thetrade because it was still the best medium of remittance of the surplus Indian revenue consistent with its trade monopoly and its sovereign status in India.

Resources for Investment: Dundas estimated this surplus revenue at £1,621,050 (or £1,725,500 if commercial charges were not deducted). Other resources, on which the Company's trade could rely, were bullion and merchandise exported to India, funds obtained from sale of certificates to commanders and officers of the Company's ships, sale of commercial bills drawn on the Court and subscriptions on account of the transfer of debt begun since 1785. Bullion exported to India between 1783-4 and 1792-3 amounted to a meagre £721,914 (2) and the export of merchandise, though rising from £400,000 in 1784 to £1,000,000 by 1793, had never been very profitable. (3) The sale of goods and stores, exported to India from 1786-87 to 1790-91, fetched on average C.R. 27,86,676 per

(1) Holden Furber. Op.cit. pp. 268-69
(2) ibid, p. 307.
(3) The First Report of the Select Committee appointed by the Court of Directors to take into consideration the export trade from Great Britain to the East Indies, 1 Sept. 1791 puts the net loss on woollens at £37,790 and the net profit on metals at £9,875 between 1783-84 and 1789-90, I.O. Charters Vol. 10.

year while the sale of certificates brought C.R. 4,61,606.[1] Bills of exchange averaged at C.R. 4,10,806[2] and debts subscribed in India per orders of the Court of 1785 and 1787 amounted by 30 April 1791 to C.R. 1,71,77,967 and C.R. 1,94,51,927 respectively.[3] So the Company ultimately depended on the Indian revenues to keep its whole concern going in India and China, for, though more than four million pounds in bullion and three million pounds in goods and stores had been sent to Canton between 1785 and 1791, the latter sold at loss and the Supracargoes pestered the Supreme Government in Bengal for funds.[4] Francis Russell recognised in Indian revenues the keystone of the gigantic edifice of the East India Company and calculated an aid of £765,000 per annum from India to the commercial gain of £766,687, so that the Company could meet its commitments, establish a sinking fund of £535,000 for its untransferred Indian debt and still have a surplus for the liquidation of its home debts.[5]

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Of all the Company's settlements in India the Presidency of Bengal alone provided the desired surplus, after meeting others' deficits.

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(1) Appendix G. to Dundas's budget speech of 1793. The Second Report of the above Select Committee 29 December 1791 puts export of merchandise, metals and stores to India at £1,179,342, £1,561,841 and £1,255,259 respectively, Home Misc. 401. p. 31.

(2) App. XXXII of the Report of the Committee of Accounts 15 February 1793 op.cit. p. 210.

(3) App. XIV ibid p. 177.

(4) China received, during 1766-67 and 1784-85, £94,000 per annum on the average. Home Misc. 370, p. 63 and Letters from Canton to Bengal in Home Misc. 795, pp. 65-76, 92-96. During 1786-87 - 1790-91 India supplied C.R. 21,21,686 per year and Bengal's contribution was C.R. 17,97,378. See Appendix G. to Dundas's budget of 1793.

(5) Francis Russell, op.cit.

She has to bear not only the major burden of the Indian investment but undertake supplies to China, Bencoolen, Penang and her sister Presidencies. Sale of import goods and certificates in Bengal had yielded during 1786-87 ~~and~~ 1790-91 an average of C.R. 11,03,250 and C.R. 2,54,733 respectively.(1) The amount subscribed in Bengal from 1786-87 to 1790-91, per orders of the Court of 15 September 1785 and 31 July 1787 regarding transfer of debt, came up to C.R. 1,75,05,045.(2) Bills of exchange were granted to the tune of C.R. 2,07, 063 per annum from 1786 to 1791.(3) These were about all the extraordinary resources that Bengal could add to her own surplus revenue, estimated for 1793 at C.R. 1,98,60,000 - which had greatly shrunk as civil, military and debt charges increased. Out of the total she had to meet annually the prime cost and charges of the investment, on an average C.R. 91,51,808,(4) supply Canton with C.R. 17,97,378, Bencoolen and Penang with C.R. 5,00,000(5) and Bombay

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(1) App. XI of the Report of the Committee of Accounts op.cit. p.172.

(2) App. XIV ibid. p. 177

(3) App. XXXII, ibid. p. 210

(4) App. XV, ibid. p. 177

(5) Dundas's budget speech of 1793, op.cit.

and Madras with twenty five to thirty lakhs each.(1)

It is hardly surprising in such circumstances that whenever Bengal had to wind up the accounts of a war (as in the regime of Sir John Macpherson) or to wage a new one (as in the regime of Lord Cornwallis) she had to rely on loans at high interest or was forced to open subscriptions for procuring the annual investment. For both the Government had to tap an extremely limited capital market(2) and, in the competition that ensued between a needy state and the still needier private merchants, the only gainers were the Company's servants. The remittance loans of 1780-81, investment loans of 1782-83 and 1783-84, bills on account of investment of 1787-88 and 1788-89 tell their own sad tale.(3) The debt of Bengal had stood at C.R. 3,62,00,000 in 1786. The Third Mysore War increased it by 31 January 1792 to C.R. 5,90,54,344.(4) About C.R. 45,00,000 of

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(1) In 1789-90 Bengal supplied C.R. 24,90,857 to Madras and C.R. 35,75,275 to Bombay which increased further with the Third Mysore War. See Home Misc. 404 p.73.

Bengal's average receipts.		Bengal's average expenditure	
Surplus revenue			
av. during 1787-1789	C.R.2,32,28,970	Av. Investment.	C.R.91,51,808
est. in 1793	C.R.1,98,60,000	Av. Supplies to Canton	17,97,378
Av. Sale of imports 1786-1790	11,03,250	Do. Bencoolen & Penang	5,00,000
Av. Sale of Certs. 1786-1790	2,54,733	Do. Bombay	25,00,000 to 30,00,000
Av. Subscription to debt 1786-1790	35,01,009	Do. Madras	25,00,000 to 30,00,000
(Total C.R.1,75,05,045)			
Av. bills of exchange 1786-1791	2,07,063		

(2) Warren Hastings. Memoirs Relative to the State of India 1786 pp. 18-19 (3) App. 11, 18 and 20A Ninth Report, 1783.

(4) App. XII. Report of the Committee of Accounts op.cit. p. 173.

this accretion had been raised at 12% and the rest averaged at 8%.[1] This was the state of affairs in Bengal after a crore and a half of debt had been transferred to England. So long as this debt remained - it would act as a drag on the surplus, the investment would be rendered uncertain and the Company's credit would suffer. Moreover, if some mode of remittance was not devised for income from this debt, it would, like private fortunes arising from other sources, seek a channel to Europe through foreign trade.

The exigencies of public finance and the need for private remittance were thus impinging on each other in a way detrimental to the Company's revenue and profit. The Government borrowed at high interest; the income was sent through the French, the Dutch or the Danes because the Company refused to allow a reasonable remittance. The period under review saw the beginning of the creditors' struggle for a channel of remittance through the Company's trade which ended in their campaign against monopoly in 1793. We will now trace the story of that struggle in Bengal from 1785 in order to understand its transformation into a call for free trade and its ability to secure concessions from the Company.

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Lord Macartney, the Governor of Madras, and Sir John Macpherson, the Governor-General of Bengal, took upon themselves the duty of impressing on the newly constituted Board of Control the creditors' point of view. In 1785 the India debt stood at 8 crores, arrears of

(1) App. 1 of Dundas's budget speech of 1793.

payments to troops came up to £930,000,[1] discount on the Company's treasury orders was about 18 per cent[2] and the Company's bonds – 40 per cent.[3] There was an acute scarcity of silver with deplorable effects on the investment and general trade.[4] Though the Company lacked funds to procure investment, it not only refused to allow private merchants and its own servants to send their fortunes in the Company's ships but threatened dire consequences of an illicit trade with the foreigners. This situation was inevitably exploited by the latter to the detriment of the Company's home sales. George Smith, a resident merchant of Bengal wrote, "....the Danes have in this season dispatched from hence for Europe fifteen ships, the Portugese six, whilst the English Company, though the Lords of the Country, have only and with difficulty despatched, and laden seven ships for England, a strong evidence of the necessity of channel of remittance through the Company, for our private fortunes."[5] The Committee of Secrecy had already received a letter from Lord Macartney in this strain urging the necessity of funding India debt at home at low interest while increasing investment with the saving.[6]

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(1) George Smith to Dundas 30 November 1785. Home Misc. 434 pp. 208-9.

(2) Ibid p. 215.

(3) Sulivan's plan for transfer of debt. Home Misc. 369A. p. 26.

(4) George Smith to Dundas 27 January 1785. Home Misc. 434 pp. 33-48.

(5) George Smith to Dundas 14 February 1785. Ibid. p. 71

(6) Lord Macartney to the Committee of Secrecy 14 October 1784. Home Misc. 370. pp. 141-142.

Sir John Macpherson from Bengal lent his support to such a plan. After roundly condemning the Company's niggardly provision of £180,000 per annum for private remittances and the penal clauses in Pitt's India Act which drove private trade with the foreigners underground, Macpherson held out the hope that thirty lakhs of rupees, arising out of retained interest on the bonds of 1787, could be applied to augment investment and that this sum would rise up to eighty lakhs in 1791-92.(1) He proposed, in anticipation of the Court's consent, to take up six additional ships in Bengal to carry this increased investment to London. The urgency of the measure grew with the appearance of the first American ship in Calcutta on 17 June 1785,(2) which with cargo - "are said to be English property, appearances are strongly for their being so."(3)

Dundas had been considering the problems of India debt and clandestine trade since his appointment as the President of the Board of Control. A section of the Court, ~~heading~~ headed by Sir Francis Baring, tried with his support to tackle the problem by a Convention between the French and the English East India Companies in 1785-86, aimed at preventing the former from trading on the capital of the latter's servants.(4) But this move was strenuously opposed by Warren Hastings and his champion in the Court, Laurence Sulivan, on political grounds.

(1) Macpherson's minute of 9 April 1785 containing his plan of 30 July 1785. Home Misc. 370 App. 2.f.152.
(2) G.G. in C. to Court (Foreign) 25 October 1785.
(3) George Smith to Dundas 5 August 1785. Home Misc. 434 p. 133.
(4) C.H. Philips. The East India Company 1784-1834 op.cit. pp 47-48.

Before the Convention fell through,[1] the plans of Macpherson and Macartney came up for discussion, and Dundas once more lent his support - partly for reasons of his own.[2] It seemed to enjoy the support of Hastings and the Indian interest. Sulivan, with his own intimate knowledge of Indian affairs and possibly influenced by his son's letters on clandestine trade, saw no objection to the Dundas plan of transfer of debt.[3] Only the old guards like Nathaniel Smith opposed it as impracticable and impolitic.

Consequent on the Board's insistence,[4] the Company sent a plan of transfer of India debt which would not only reduce it and enable the investment to be enhanced with the saving of interest but also scotch the foreign trade which was being largely conducted with British capital by offering a parallel channel of remittance through the Company's trade. It allowed a gradual transfer to the total extent of six million pounds, authorised subscriptions on debt account for bills on the Court, and increased the investment of Bengal to 115 lakhs (of India to 150 lakhs), the returns of which would be the fund

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(1) The Convention was rejected by the French foreign minister, Vergennes, who considered it humiliating and knew private dealing with the British would be more profitable. Holden Furber op.cit. p. 35. Private traders opposed it too. See Macpherson to Lord Hawkesbury 17 September 1787. Add. MSS 38,409 ff. 187-88.

(2) Professor Philips thinks Dundas wanted to encourage the Company's financial embarrassments in order to make it more amenable to his control. The East India Company 1784-1834 op.cit. pp. 47-48.

(3) Sulivan's plan. Home Misc. 369A. pp. 21-27.

(4) Board to Court 10 September 1785. Home Misc. 370 pp. 19-49. Separate General Letter to Bengal 15 September 1785.

for the payment of the transferred debt. It fixed the rate of exchange on bills to be granted to the creditors at 1s 8 d the Bengal current rupee, payable 548 days after date with option of the Company to postpone full payment on half-yearly interest at 3 per cent. Instalments of not less than 10 per cent of the principal were to be paid every year after 1 March 1790.

Bad news came from Lord Cornwallis. His description of the state of the Indian finances on 16 November 1786 held out little hope of an enlarged investment. Like Macpherson he had inherited bankruptcy. A comparison of assets and debts in India left a debit balance of more than three crores against the Company. The total debt amounted to over six crores and a half on an average interest of $8\frac{3}{8}$ per cent. Bonds bore a discount of 25 to 30 per cent and treasury orders 10 to 20 per cent.[1] The jobbing of Government paper was scandalous, revenue was anticipated to pay the contractors of the Board of Trade, salaries were paid in certificates bearing 8 per cent interest, investment was reduced, supply to China was curtailed, and the plan of debt transfer nullified as the rate of exchange was inadvertently fixed too low at 1s 8d while the market rate was not less than 2s.[2] Moreover it touched only the fringe of the problem, providing for "about one tenth of the remittance which was required by

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(1) George Smith to Dundas 30 November 1785. Home Misc. 434 pp. 207-9. Macpherson to Pitt 17 September 1787. Home Misc. 86 p. 698.

(2) James Sibbald to Dundas 25 April 1787 and 18 May 1787 Home Misc. 370 p. 433

the British subjects...., [1] and laid the door open to clandestine trade. [2] The Board was approached by the creditors for a higher exchange [3] and prevailed upon the Court to leave it to the discretion of the Governor General in Council. [4]

The problems which vexed Cornwallis most were those of the investment and the China supplies. The system of procuring the investment by contract had led to wholesale collusion between the contractors and the members of the Board of Trade. The Court lamented over clandestine remittance by their servants "to Copenhagen, L'Orient, and other different parts of Europe, the choicest selection of the most valuable and profitable that the Country affords." [5] While the private traders got 3s.9d. for the rupee, the Company's investment "scarcely net us the rupee at par." Cornwallis called the Calcutta warehouses - "a sink of corruption and inquity." [6] Macpherson's economic reforms, by needlessly reducing the official salaries, had only increased the abuses. [7] Not only the Company but the weavers of Bengal suffered, being forced to work for unremunerative rates. The China supplies were another headache. As British goods would not sell in China and the demand for opium was not yet high, Bengal was being denuded of silver to purchase

(1) David Scott's Memorandum to Court 3 April 1787 Home Misc. 404 p. 63.
(2) Macpherson to Pitt. 17 September 1787 op.cit.
(3) Home Misc. 370 pp. 433-55.
(4) Court to G.G. in C. 31 July 1787.
(5) Court to G.G. in C. (Public) 27 March 1787.
(6) Cornwallis to Dundas 14 August 1787. A. Aspinall, Cornwallis in Bengal p. 13.
(7) Cornwallis to Dundas 15 November 1786 Ross Correspondence Vol. I p. 227.

the China investment. She could not "without ruin, continue the exportation of ....specie."(1)

Cornwallis took several measures to protect the investment and prevent the abuses. The Collectors were prohibited from engaging in private trade in 1787(2) and the prohibition was extended to the Revenue and the Judicial departments by 1789.(3) Cornwallis would have liked to include the Commercial Residents, had not he apprehended a consequent injury to the public investment.(4) He compensated for this loss of irregular emoluments by increasing the salaries and commissions of the officials concerned.(5) The contract system was abandoned (except in opium) for the agency system.(6) A regulation was drawn up to protect the weavers from imposition as well as to prevent defalcation of the investment through collusive sale to the foreigners. If they took advances from the Company as well as the private traders, they were bound to satisfy the Company first. The settlement in Penang was maintained so that remittance from Bengal could be sent in Indian goods which would be sold for Malay tin and species for the China market.(7) With a similar end in view Cornwallis made a Commercial Treaty with Oudh which would not only develop Bengal trade with the Deccan but facilitate China remittance with the imported cotton of the Doab.

(1) Dundas agreed. See Dundas to Cornwallis 8 August 1789 Aspinall op.cit. p. 185.
(2) Cornwallis to Dundas 14 August 1787 Ross op.cit. p. 271.
(3) G.G. in C. to Court (Secret Separate) 9 January 1789.
(4) Cornwallis to Court 2 May 1792.
(5) Cornwallis to Dundas 26 August 1787 Ross op.cit p. 278. Minute of 31 January 1788.
(6) By 22 March 1787 complete instructions on the change over to agency system went out. For analysis of different systems of procuring investment See Cornwallis to Court 1 November 1788, also Home Misc. 393 pp. 4-6.
(7) Bengal Public Consultations (Straits Settlements) 2 May 1786.

These measures, however, did not contribute to the Company's financial affluence. Cornwallis considered reduction of expenditure as a secondary object. Honesty, regularity, uniformity and simplicity were the watchwords of his reforms and he preferred to pay the cost.(1) The ordinary charges of administration increased. Bombay and Madras added to the burdens.(2) Cornwallis had no resources for procuring the full investment. In 1788 and 1789 he was forced to take the momentous step of accepting private goods for shipment on the Company's vessels though Macpherson had been condemned for such action in 1786-87.(3) More, he considered 2s to be the minimum exchange rate for transfer of debt as the foreigners, private traders, China bills, indigo and diamonds furnished a better remittance. In a possibility of war, he further warned, "a remittance at almost any rate is eligible, I might even say absolutely necessary."(4) The so-called "privilege trade" of 1788-89, however, was never given the ghost of a chance. By imposing a freight of £31. 16s. per ton and allowing it only when the Company could not procure goods on its own account, the Court soon drove it into foreign channels.(5)

The agency houses: The people, most injured by this erratic policy, found leadership in the agency houses who had by the nineties of the eighteenth century solidly established themselves in Bengal. In 1790 there were fifteen agency houses in Calcutta, mostly British.(6) Messers Fergusson,

(1) G.G. in C. to Court (Secret Separate) 9 January 1789.
(2) Cornwallis to Dundas 4 November 1788 Ross op.cit. p. 378 and Cornwallis to Dundas 7 November 1789 ibid p. 446.
(3) Eur. MSS. D 281. p. 10.
(4) Home Misc. 370 p. 685.
(5) Scott MSS. Home Misc. 404 p. 178.
(6) The Bengal Calendar and Register 1790 pp. 113-38. There were twelve Portugese, six Greek and fifteen Armenian individual merchants.

Fairlie and Company was the most important British house while Paxton, Cockerell and Delisle, Lambert and Ross, Colvins and Bazett, Perreau and Palling and Joseph Barretto were the other prominent ones. They had corresponding houses in London, controlled the country trade in the East after the War of ~~the~~ American Independence, financed the indigo and sugar manufacturers, cornered the Government contracts, ran the three banks (1) and the four insurance companies at Calcutta (2) and speculated in the public securities. They also dealt in the homeward private trade of the commanders and officers of the Company's ships and negotiated bills and respondentia on the foreign companies. (3) Agency was their least important business.

Their beginnings go back to the hey-day of the Nabobs and their original capital had come, first or second hand, from the pagoda tree. A salt contractor like Vansittart, an opium contractor like William Young, a Sir John Day or a Fowke did not like to put all his eggs in the same basket. Far less did he like the Company to know the amount of his gains or the manner in which he got them. He preferred diamonds to everything, trusted "the Dutch, the Dane and the Devil," (4) before he trusted the Company's Europe bills and deposited

(1) The Bank of Hindostan (1770), The Bengal Bank (1784) and The General Bank of India (1786).

(2) The Old Calcutta Insurance Company, Calcutta Insurance Company, Bengal Insurance Company and Asiatic Equitable Insurance Company.

(3) Fergusson,Fairlie & Co. dealt with the French East India Company and were its agents when it traded under the Danish flag after 1793. The Paxtons had similar connections with the Dutch and the Danes and Joseph Barretto with the Portugese. See Holden Furber op.cit. Chapt. II-IV.

(4) Eur. MSS. E 6 item 23.

the rest with the agency houses to be invested in country trade or in usurious loans to the Government. By 1790 the agency houses had made country trade their special preserve - a monopoly within the Company's bigger monopoly - having ousted all other European rivals after the Second Mysore War. Before Cornwallis came there were still many private merchants who likedto plough a lonely furrow. The servants of the Company ventured in country trade, often in their own ships, undertook Government contracts or speculated in foreign bills and respondentia. But the fear of 21 Geo III Cap 65 Sec. 29 and Pitt's Act, the decline of ill-gotten gains consequent of Cornwallis's reforms and the growing insecurity of investing in the foreign companies forced them to quit business gradually. The introduction of the agency system put an end to the era of fraudulent contracts; abuses in the salt department were partially checked by sale by public auction; opium, still procured on contract, no longer produced a choice spirit like William Young under Cornwallis's vigilant eye; and when, in 1788, thirteen hundred Company servants in Bengal ceased their private trading following the regulation prohibiting private trade to all but the servants under the Board of Trade, the only competitors of the agency houses were laid low. Henceforth they dominated the scene, though still working on capital derived from the Company's servants or sometimes borrowed from the indigenous bankers. The only consolation of the public servants in Bengal was an easy 8 to 12% from the Company's securities and the prospect of a still higher profit from the country trade. For the remittance of the former and the conducting of the latter they were dependent on the agency houses.

The Governments in India thus came into contact with the agency houses wherever they turned - be it a contract for opium or salt, rice or military stores; remittance of funds to Canton or to the sister Presidencies; issue of treasury orders or bonds for investment or war. The Fairlies supplied rice to Madras,(1) dollars to Canton,(2) draft animals and their provisions to the army,(3) and indigo to the Board of Trade.(4) Colvins and Bazett built army barracks,(5) Roebuck and Abbott got contracts for coast salt and Gilchrist and(6) Charters for silk.(7) The founder of the house of Paxtons gained his fortunes in opium deals.(8) On one head, namely the China trade, the Company found itself more and more dependent on them. From 1781

(1) G.G. in C. to Court (Public) 3 September, 1792.
4 December 1792, 8 March 8, 1793.
(2) G.G. in C. to Court (Public) 12 August 1793.
(3) G.G. in C. to Court (Military) 3 September, 1792.
(4) G.G. in C. to Court (Comm[l]) 14 December, 1792.
Do. Do. 18 May 1793. They did all this up to the time of Wellesley.
(5) G.G. in C. to Court (Military) 29 January 1793.
(6) G.G. in C. to Court (Comm[l]) 18 May 1793.
(7) G.G. in C. to Court (Comm[l]) 29 January 1793.
(8) Holden Furber op.cit. p. 91.

opium was not only a source of revenue but a medium of remittance to Canton, first on the Company's own account and then, from 1786, on private account.[1] They had even extended their field of speculation to the Indian finances. Though Hastings ascribed to the natives an insignificant share in the securities[2], Cornwallis's Minute on the Court's letter of 31 July 1787still put them as the largest holders. The policy of debt-transfer, however, made the securities more valuable to the Europeans as a means of remittance and when the exchange rate was raised to 1s 11d and later more, their demand grew. The securities ultimately came to be deposited with the agency houses who could and did indulge in stock-jobbing with the rise and fall of their value.[3] The Company could not thus draw upon the income of its own servants unless with their cooperation, could not send funds to Madras, Bombay or Canton unless they speculated in opium or salt, and always felt their hands in its throat in any financial or political crisis.

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Agency
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Their main grievance lay in lack of facilities for remittance and we have seen how they forced the Company, first, to introduce a regular, though inadequate, channel through the transfer of debt and secondly to accept occasionally goods on 'privilege'. Another grievance which increased every day was scarcity of silver in India.

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(1) Home Misc. 795 pp. 65 et seq.
(2) Warren Hastings Memoirs op.cit. p. 18.
(3) George Smith to Dundas - 10 January 1790 and 12 November 1790. Home Misc. 434 p. 361 amd pp. 495 - 96.

The agency houses had little fluid capital of their own and their margin of profit declined as interest rate~~s~~ increased rapidly owing to a shortage of money. It was a long-standing trouble felt by ~~causing no little headache to~~ the Government since the days of Warren Hastings. ~~The money crisis,~~ Arising chiefly from the drain of specie from Bengal - which had been amply discussed by Sir James Steuart as early as 1772[1] - it was further aggravated by a mistaken policy of the Bengal Government in overvaluing gold[2] in a bi-metallic currency. Steuart's proposals for a paper currency with a central bank, controlled by the Company, was far too in advance of time and Francis, Clavering and Hastings all agreed on Silver mono-metallism,[3] gold being reserved for large payments or on agreement between the parties. Hastings's Regulation of 29 May 1777 set up a kind of limping standard by suspending gold coinage, But in 1780 the mint was again opened for gold coinage for the next eight years. The immediate result was discount on gold mohurs. Batta on gold, only 5 as. per Rs. 100 in March 1787, rose to Rs. 3 in five months. Cornwallis's Committee on Currency of 26 September 1787 identified the disease: while the natural ratio

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(1) The principles of money applied to the present state of the coin in Bengal. 1772. Summary in Eur. MSS D 281. See also George Smith to Dundas - 27 January, 1785. Home Misc. 434 pp. 57-64

(2) Dr. J.C. Sinha - Economic Theorists among the servants of John Company. 1766-1806. The Economic Journal. March 1925.

(3) Francis's Minute on coinage. 13 March 1775.

between silver and gold in India was 12:1 or 13:1, the mint ratio had been fixed at 16:1. In February 1788 the official rate was reduced to 15:1 and the Regulation of 20 February 1790 discontinued seigniorage of 1% on silver coinage. The Mysore War, however, frustrated all these plans by causing a heavy drain of silver from Bengal. Gold was again resorted to with the attendant evil of batta. The finance of Bengal suffered a set back. The securities, which bore a premium after three years of Cornwallis's unceasing reforms, began to fall.(1) The Government could not pay the certificates that were due and when the purchasers of the Company's opium applied to the private banks for cash, the latter tried to sell their papers all in a rush - resulting in further depreciation and stock-jobbing by the banks and the monied men.

Third Mysore War

Like Dundas, Cornwallis ("his mind accustomed to world-wide maps") considered India as a vital point in the enduring rivalry between England and France. Though advised "to adopt a pacific and defensive system based on the universal principle....that we are completely satisfied with the possessions we already have", Cornwallis foresaw the war with Tipu Sultan of Mysore "as a certain and immediate consequence of a war with France." The Third Mysore War began in May 1790, four months after Tipu's attack on Travancore. No military preparations had been made in Madras, which in fact became the base of operations, and everything had to be done in Bengal in haste.

(1) George Smith to Dundas 10 January 1790, Home Misc. 434 op.cit. p. 359.

Debts increased very fast and so did discount on them. On the eve of the war discount on bonds was $4\frac{1}{2}$%, on old certificates bearing 8% interest - $2\frac{3}{4}$ to 6% and on new certificates bearing 6% interest - $5\frac{3}{4}$% to 6%.(1) Two months later discount on the old certificates rose to 12% and on the new to 17%.(2) The agency houses could not cope with it. On 12 March 1790 they appealed to the Government for relief that not only included a moratorium on all payments but a loan of 10 lakhs at 8% from it.(3) Anthony Lambert, of the house of Lambert and Ross, wanted other reliefs like a drawback on exports and Government support to Bengal sugar and rum.(4) George Smith advised immediate bullion imports from England, abolition of import duties on bullion, a moratorium on claims on the agency houses with the introduction of government-backed paper currency(5) and encouragement of Bengal cotton and sugar.(6)

Cornwallis refused as the notes would immediately bear discount. But by way of relief he set on foot an investigation by John Bebb on the ways and means of developing the country trade of Bengal and reducing or abolishing the import duties at the three Presidencies which fettered coastal trade. The military necessity of transferring funds and supplies to Madras and Bombay was no doubt an added impetus.(7) As a

(1) George Smith to Dundas 14 February 1790 ibid pp. 395-96.
(2) George Smith to Dundas 13 April 1790 ibid p. 405.
(3) J.C. Sinha, op.cit.
(4) Anthony Lambert to Lord Cornwallis, 8 September 1790, Eur. MSS D. 281, pp. 15-17.
(5) George Smith to Dundas 13 April 1790 and 6 January 1791, op.cit. pp. 405 & 536.
(6) George Smith to G.G. in C. 20 July 1790, ibid pp. 437-442, pp. 471-78.
(7) Eur. MSS. D. 281, pp. 11-13. Bengal sugar paid 5% at Madras and 6% at Bombay; raw silk, silk and cotton piece goods paid 2%.

result of these suggestions and complaints Cornwallis established virtual free trade between the Indian Presidencies. The crisis went on, however, and when the discount on bonds and certificates rose to 20% and 30% respectively, he was forced to remit duties to the French ships importing silver. The investment dwindled in spite of an invitation of subscriptions from private traders which brought no response.(1) A rumour of the British reverses caused a financial panic in Calcutta in November 1791. There was run on the Bengal Bank and the Bank of Hindostan and Cornwallis could not refuse them help in spite of the Court's stringent orders, since rejection would bring down the Company's paper still further(2) - and affect opium revenue. Revenue and credit of the Company's Governments had been inextricably intertwined with the private merchants' need for circulating capital and for remittance of its fruits.

The private import of silver, which the Company released from payment of freight,(3) eased somewhat this situation and brought enormous profits to the importers. The victory over Tipu Sultan in February 1792 improved the Company's credit immensely besides bringing more bullion into circulation (and the rich pepper districts of Malabar). The Governor General was discharging the 12% loans

(1) ibid p. 537.
(2) J.C. Sinha op.cit.
(3) H. Furber puts it at £1,000,000 op.cit. p. 307 fn. 11 but adds that £773,551 went to Madras alone, ibid fn. 10.

and the 8% notes were on par.[1] This was done partly with the war indemnity exacted from Tipu.[2] The investment for 1794 was laid down at C.R. 1,10,00,000.[3] But the problem of scarcity of specie was not completely solved and the problem of remittance of private fortunes remained even though the Governor General in Council raised the exchange rate to 2s. to prevent clandestine trade.[4] The former was causing a deflationary tendency which prevented improvement of agriculture and the consequent lack of exportable raw materials aggravated the latter.

The promulgation of the Permanent Settlement was precipitated by these considerations. No doubt the primary motive had been - as the Court stated in its letter of 12 April 1786 - avoidance of defalcations due to frequent changes of system and acquisition of a stable revenue secured by the right of hereditary ownership to be granted to the zemindar: "...a moderate Jumma [redacted] or assessment, regularly and punctually collected, unites the consideration of our interests with the happiness of natives and security of the landholders more rationally than any imperfect collection of an exaggerated jumma to be enforced with severity and vexation". The whole financial structure of the Company rested ultimately on the land revenue of Bengal and our reference

(1) Thomas Graham to Dundas 6 December 1792 Home Misc. 437 p. 33.
(2) G.G. to Court 26 August 1792.
(3) G.G. in C. to Court (Comm^{l}) 30 November 1793
(4) G.G. in C. to Court (Public) 14 December 1792.

to the financial and commercial situation in 1785 would explain the urgency of acquiring of secure land revenue as the bed rock of the Indian empire and the Indian investment. Everybody had a stake in this - the Company's servant who drew his pay and commission, the agency house which got its military contracts, the creditor who had to remit interest and the proprietor of the India stock who wanted his half yearly dividend. But Shore and Cornwallis saw beyond these immediate considerations. "The Company are merchants as well as sovereigns of the country", wrote Shore in his minute of 18 June 1789. "In the former capacity they engross its trade, whilst in the latter they appropriate the revenues. The remittances to Europe of revenues are made in commodities of the country which are purchased by them." If agriculture was not improved to facilitate remittance of the surplus revenue it would lead to actual drainage of specie which was acutely short already due to the decline of country trade and the discontinuance of bullion import by the foreign companies. The scarcity of specie again would react on the government finance and commerce and agriculture. The vicious circle would go on till the proprietors were given an incentive to improve agriculture which could come only from a fixed moderate jumma and a hereditary ownership.

Cornwallis made this idea clearer when Shore shrank from the ultimate execution of his own plan. In his minute of 3 February 1790 Cornwallis mentioned the heavy drain of wealth on public and private account, "now severely felt by the diminution of the current specie, and by the langour which has thereby been thrown upon the cultivation and the general commerce of the country." In his letter to the Court, 6 March 1793, he pointed out how in Bengal "agriculture must flourish before its commerce can become extensive. The materials for all its most valuable manufacture are the produce of its own lands. It follows therefore, that the extent of its commerce must depend upon the encouragement given to agriculture." The conclusion was that increase of cultivation was not possible without granting benefits of a permanent settlement to the landholders. It was not only necessary (as Shore would agree) but urgent in order to attract the floating capital of the natives to investment in land. The Government was paying off its debts and the natives now had with them plenty of capital which could be profitably used for improvement of land and therefore of commerce. "As this paper is in a course of payment, there is every ground to expect that the large capitals possessed by many of the Natives (which they will have no means of employing when the public debt is discharged) will be applied to the purchase of landed property as soon as the tenure is declared to be secure, and they are capable of estimating what profit they will be certain of drawing from it by the public Tax upon it being unalterably fixed." More, besides giving the Government a secure land revenue and the landlords a field for investment and an incentive to greater production which would help remittance to Europe on the public and private account, the Permanent Settlement would create a loyal class among the natives when, challenged by the revolutionary ideas, the Government could scarcely depend on its own servants gone deeply into clandestine commercial relations with the foreigners. These ideas bore fruit in the proclamation of the Permanent Settlement on 22 March 1793 which fixed the Jumma at the level of revenue obtained in 1790-91 - i.e. at C.R. 2,68,00,989 per year for Bengal, Behar and Orissa.

The most significant effect of the Permanent Settlement was the creation of private property in land and the Cornwallis Code of Regulations (of which the first introduced it) made elaborate provisions for the protection of that property. The whole system of judicial administration, promulgated in 1793, was geared to this purpose. Cornwallis found fault with Hastings's administrative and judicial system which was a compromise between the native Mughal tradition and the alien British principles, called forth by the exigency of ruling a foreign country. He particularly objected to the union of revenue and judicial authorities in the person of the Collector which had been revived by the Court's order in 1787 and was favoured by experienced administrators like Stuart and Shore. He considered it to be a source of oppression and abuse as the Collector's right to private trade had been. The Permanent Settlement, moreover, made some changes imperative so that the Zemindars could be assured of an unhampered enjoyment of their newly secured rights of property. Regulation 5 of 1793 established a Diwani Court in each district and four Provincial Courts of Civil Appeal while Regulation 6 made Sadr. Diwani Adalat the final Court of

Appeal. Regulation 2 separated the Judicial and Revenue Departments and transferred the Suits formerly cognizable by the Revenue Courts to the Diwani Courts. The Collectors were thus divested of judicial authority not only in matters which dealt with the title of property but also in matters which arose out of revenue administration. Regulation 11 abolished primogeniture in the few cases it still prevailed, Regulation 25 facilitated division of estates, Regulation 34 rendered, in the case of revenue sale, null and void all engagements subsisting between the defaulting proprietor and his dependent talukdars while Regulation 17 gave the Zemindars right to distrain and sell personal property for arrears of rent.

The cumulative effect of the Revenue Regulations was to make land the most secure and sacred form of capital. They invited investment in land by other classes, not traditionally associated with land and thus led to the creation of a middle class. The Judicial Regulations led to the formation of another class, not directly dependent on land ownership. This class rose on the ruins of the native middle class dependent on public office. Cornwallis was against employment of the natives in key positions in the Revenue and Judicial Departments and ultimately eliminated them from posts they had held throughout the Mughal period and the early British rule. He filled not only the top cadres of the civil service with the covenanted servants of the Company but the lower ranks with non-covenanted European officials. Natives were retained in some minor positions, like those of the commissioners, who heard causes in which not more than fifty rupees were involved ~~and~~ but they were not strictly speaking Government servants, their salaries being paid out of Commission.[1] But Regulation 7 of 1793 made for appointment of a number of licensed Hindu and Mohammedan Vakils as the legal representatives of Suitors, to be selected primarily from the Mohammedan College at Calcutta and the Hindu College at Benares,[2] who would help in the administration of the judicial system and, in Cornwallis's view, would with their legal knowledge be a check on the Judges. Hastings's Judicial Regulation of 5 July 1781 and Elijah Impey's administrative genius had already anticipated the establishment of such a professional class.[3] Cornwallis gave it a greater momentum by elaborating the rules and regulations of judicial practice, by enacting a complex Code of Laws and by setting up a larger number of Courts. This class was an indirect creation of the Company's Government. In a way it was tied up with the system of land tenure for the defence of which it originated. But it was not directly attached to land and there was a possibility in future of this class, united by the strong ties of a technical profession, striking out an independent line of thought and action, critical of the policies and measures of the Government.

The private traders, however, were not prepared to wait for the long term effects of the Permanent Settlement and they were affected by Cornwallis's reforms in more than one way. The Regulation about the weavers prevented interloping in future, Regulation 38 of 1793 forbade holding of land by the Europeans (which forced the indigo planters to take out leases

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(1) Cornwallis agreed to it reluctantly. See Aspinall op.cit. p. 91.
(2) ibid p. 89.
(3) Dr. Bankey Bihari Mishra The Judicial Administration of the East India Company in Bengal 1765-82 p. 274.

in the names of their native gomasthas) and Regulation 28 put irksome restrictions on their residence outside ten miles of the Presidency towns. They had done what could be done from India. They had exacted the concession of sending goods in privilege, compelled the Company to export or permit the export of bullion from England and obtained a higher rate of exchange for their remittance in bills. They now looked up to a continuation of the struggle in England, where, the untiring zeal of one of their own members, David Scott, had already won some considerable success in relaxing the Company's monopoly over exports to India.

David Scott: Among all the free merchants and agents in India or England who not only applied their minds seriously to the consideration of the private traders' problem but their hands vigorously to tackle it, the foremost in knowledge and ability was David Scott.(1) Arriving in India as a free merchant in 1763, Scott had made a modest fortune in twenty three years and was one of the 'real rulers' of Bombay(2) when he left for England in 1786 to establish the agency house of David Scott and Company. This house had affiliation with his old Bombay house Scott, Tate and Adamson and its Bengal correspondents - Fairlie, Fergusson and Company. He might have imbibed his laissez faire view as a student in Edinburgh where Adam Smith was held as the prophet of the future millenium "but the most powerful influences in turning him into a confirmed 'free trader' appear to have been his first hand experience of the wastefulness and restriction inherent in the Company's monopoly and his own appreciation of the Company's

(1) C.H. Philips (Ed.) The Correspondence of David Scott etc. 1787-1805. Offices of the Royal Historical Society 1951. Int. Vol. I.

(2) Holden Furber op.cit. p. 221.

financial dilemma."[1] He lost no time in inflicting it on the Company and almost forced his way into the Direction in 1788 and the Parliament in 1790 as an indefatigable suggester of improvements of the Company's trade and finance.

His first letter to the Court enclosed a memorandum on the unwise policy of confining export trade without using the tonnage to the benefit of the British manufacturer[2] which had forced the trade into the hands of the foreigners. Not directly challenging the Company's monopoly of import trade and aligning himself with the manifest interest of the manufacturing class, clamouring since 1787 trade depression for the protection of the textiles and the extension of woollen export, Scott showed his genius for diplomacy. Moreover the export policy of the Company was palpably absurd. Its exports to India had been about 5,000 tons per year while the foreigners sent 15,000 tons.[3] Private trade of the commanders and officers had been unduly restricted by prohibition of cloth, copper, military and naval stores. Very little bullion had been exported, though profitable, and the purchasing power of the Indians had declined due to scarcity of specie. The sale policy of the Company was unwise. But the gravest wrong was the limitation on the remittance of fortunes of the Company's servants and bondholders through the channels of the Company's trade. Scott suggested that the Company should give up export trade from England to India and from Bombay to China, supply funds to the private

(1) C.H. Philips. The Correspondence of David Scott op.cit. pp XII-XIII.
(2) Scott to Court 3 April 1787 Memorandum entitled "Consideration on the Export Trade from Great Britain to India with a plan and proposals for the increase thereof." op.cit. pp. 91-95.
(3) ibid p. 55.

traders at Bombay on promise of gradually increasing exports and charge a freight of £5 per ton outward if, in exchange, the returns were placed at its disposal in China for investment or in India for the discharge of debt against which bills were to be granted on the Court at a reasonable exchange.(1) On 4 March 1789 he came back to the charge, this time with special emphasis on the Company's finances in India and the rapid growth of clandestine trade which were interconnected.(2) The only reply to the latter was not more stringent laws but "to send a sufficiency of European goods in our own ships from Britain, to supply India, and to bring a sufficiency of India goods home to supply Europe" for which a corresponding permission should be granted to the British in India to fill up a certain determinate part of the Company's homeward tonnage and spare tonnage at a cheap freight.(3) The commanders and officers were to lose their private trade for a remuneration.(4)

The Court's reaction: The Special Committee of the Court of Directors, appointed to go through David Scott's proposals, agreed almost on all points except the policy of woollen export whichit considered sufficiently liberal for the present. The export trade could not, however, be entirely thrown open. An offer of surplus tonnage to the commanders and officers of the Company's ships was recommended, provided they paid the proceeds in specie or bonds at the Company's treasuries. The private traders were to get the refusal of the commanders at Bombay for export to China at a cheap freight

(1) ibid pp. 85-89. See also Hon. John Cochrane's "Plan for the Export Trade of Great Britain to the East Indies for the benefit of the Trade of Great Britain consistently with the Interests of the East India Company." ibid pp. 1-39.

(2) ibid pp. 277-78.

(3) He proposed £15 per ton for goods other than fine cotton fabrics on which he would pay 15% on sale. ibid pp. 280-83.

(4) See amount of privilege before 1789 - I.O.Charters Vol. 10. 87 tons in all.

on condition of submitting the proceeds to the supracargoes. If the homeward investment could not be completed by the Company, "individuals should be permitted to avail themselves of the spare tonnage upon reasonable terms and conditions as those which have been exacted hitherto, are in general too high, and amount to a total prohibition against some of the articles of the growth, produce and manufacture of India." (1) This report was adopted by the Court on 2 December 1789, as a result of which the Company's exports were increased by over 2500 tons, all surplus outward tonnage was granted to the commanders and the Company's servants and private merchants in India were allowed to fill up the unoccupied homeward tonnage. But as woollens, copper and stores were still forbidden, the extra tonnage carried out by the commanders up to 1790 amounted to 245 tons only, (2) while the policy of Cornwallis to allow privilege trade on the Company's ships failed as the promise regarding reasonable freight was never kept. In 1790 the Court's order to replace the exhorbitant rate of freight (according to Scott £31. 16s. per ton besides extraordinary demurrage) by a charge of $7\frac{1}{2}\%$ on gross sales had to be suspended by Cornwallis on the advice from the Board of Trade (3) since the latter would be sixteen times higher! (4) Even when pursuant to another report of the Court, 29 February 1792, the freight was lowered to £15 per ton for piece goods and £15 per real ton of indigo, (5) no

(1) The Report of the Special Committee of the Court of Directors - 22 July 1789. Home Misc. 404 p. 312.
(2) App. No. 4 and 5 of the Fifth Report. Home Misc. 401. p. 71.
(3) Minute of John Behb 2 December 1790.
(4) The foreigners carried goods at £18 per ton and Ostend or Lisbon did not collect 7% on sales as the Company did in London. See Scott MSS. Home Misc. 404, pp. 179-181.
(5) Court to G.G. in C. (Comm[l]) 3 September 1792.

particular tonnage was allowed to the private individuals and the concessions granted were seldom put into effect. Anyway the first round of the struggle for open trade had been won due to the continued exertions of Scott and the creditors (who were also merchants) in Bengal. Exports increased from £650,000 to £1,000,000. The next step was forcing the Company to allow a definite tonnage from and to India.

The Old Shipping Interest: Scott's challenge was taken up by the Old Shipping Interest whose vested rights he attacked by proposing relaxation of trade and reduction of freight.(1) Strongly entrenched in the constituion of the Company, wielding a majority in the Court of Directors and the Court of Proprietors, solidly linked with the City which was interested in its stocks and contracts, the ship-owners whose property in ships was worth £2 millions in 1784, the ships' husbands who exacted exorbitant freights, the ships' commanders who sold their commands and their privilege, the ship-wrights who built the magnificent Indiamen and all other people directly or remotely connected with the vast job of fitting out or receiving ventures to and from lands half the globe apart, the Old Shipping Interest, was a formidable foe to encounter. All attempts to break through the serried ranks of its monopoly had been in vain. Up to 1781 the Court abjectly submitted to its demands. In 1783 the owners asked for £37. 10s. per ton, the Court offered £32 and when, on the former's refusal, it advertised, an immense quantity of shipping was offered. This brought down the

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(1) On the Old Shipping Interest see C.H. Philips The East India Company 1784-1834 op.cit. pp. 80-83 and C.H. Philips (Ed.) The Correspondence of David Scott etc. 1787-1805 op.cit. Introduction.

freight to £33. A little later many individuals led by John Fiott, proposed to let out ships at cheaper rates and Anthony Brough offered as many as eighty ships. They were refused and Fiott's valiant struggle for new shipping ended in the wreckage of his own ship which he was not permitted to replace. On 22 June 1786 the ship-owners passed a resolution by which the Directors were forced to take up old ships at £24 per tone. Bylaws of 1788 precluded them from hiring ships under 800 tons - which reaffirmed the old owners' monopoly.(1) Yet they had suffered a decline of profit and had to accept a lower rate of freight. In Scott's letters, therefore, they heard the undertone of a second challenge for those were nothing but pleas for reduction of freight on the Company's ships and reduction of charges on the Company's sales.

Five reports were produced by a Select Committee on export trade from Great Britain to the East Indies, ostensibly at the behest of the Lords of the Committee of the Privy Council but really as a reply to the clamours of the agency houses and the manufacturers.(2) The first dwelt on the Company's endeavours to push British woollens in India, the establishment of copper coinage in Bengal to help British copper and the persistent support given to Cornish tin against the much cheaper Banca product.(3) It warned against the glut caused by the frenzy of exports by the commanders in 1787-89 and the danger of colonization if trade was further relaxed. The second report detailed losses on exports to

(1) John Fiott Three Addresses, to the Proprietors of East India Stock, and the Publick, on the Subject of the Shipping Concerns of the Company. London 1795 pp. 87-89. Also Add. MSS. 38, 409, f. 69.

(2) For the Reports see Home Misc. 401.

(3) First Report published on 1 September 1791 ibid pp. 11-21.

Canton.[1] David Scott, however, demolished these partial statements and statistics.[2] He showed that these included freight on exports which the Company never paid, insurance though the Company was its own insurer and an interest account unduly more than doubled. And the manufacturers were not in a mood to bother themselves with such nice calculations for the trade depression of 1792-93 was on.

The manufacturing interest: By 1787 the Lancashire cotton industry was fast catching up with the age-old textile manufacture of India. A series of important discoveries in the technique of spinning, weaving and bleaching took place between 1779 and 1786 - Crompton's mule in 1779, Cartwright's power loom in 1785, Berthollet's process of bleaching by chlorine in 1785 and Bell's process of cylinder printing in 1784. "In the dyed goods we already excel them," wrote the manufacturers, "and also in all the lower and middle qualities, even in common callicoes" but "in the finest muslins they certainly exceed us. We do not believe that we have at present any principle of spinning by which the finest yarn can be spun, so equal and level as they spin it."[3]

The manufacturers, therefore, preferred import of raw cotton from India to the import of fine yarn which competed with the British spinning industry - and were afraid of the large imports of fine Indian

(1) Second Report published on 29 December 1791 ibid. pp. 24-25.
(2) Scott MSS. Home Misc. 404 and I.O. Charters Vol. II, 1793.
(3) P.R.O. Minute of the Board of Trade 26 February 1787 B.T.5 Vol. 4 p. 198.

piccagoads. In 1788 they appealed to the Lords Commissioners of the Treasury and the Board of Trade for protection against this allegedly harmful policy.(1) The propositions of their delegates, presented to Pitt and the Board of Trade, included measures for reduction of calicoes, muslins and nankins to the quantity sold in 1787, import of at least one half million lbs. of the finest Amood and Bengal cotton with promise to increase it further, prohibition of cotton yarn and compulsory re-export of three-fifths of all mulmuls, doreas, cossaes and Balasore handkerchiefs.(2) The Court insisted that the outcry against Indian imports was not due to any excess on the part of the Company "but solely the Distress which involved many individuals in consequence of their having pushed their Enterprises beyond all Bounds by raising fictitious credits, and circulations to an extent unprecedented."(3) It denied the charge of injuring home manufacture when 17/20th of the calicoes and 12/20th of the muslins from India were re-exported and asserted that any restrictions on their trade would divert it to foreign channels, increase smuggling and affect the revenues of India.(4)

(1) P.R.O. Minute of the Board of Trade 27 March 1788 B.T.5 Vol. 5 p. 69.
(2) ibid pp. 103-105.
(3) ibid Minute of 3 July, 1788. The Court was right. The distress was due to a trade depression which overtook England in 1787-88. See W.W.Rostow, British Economy of the Nineteenth Century - table II, p.33.
(4) App. I. to the Report of the Select Committee of the Court etc. upon the Subject of the Cotton manufacture of this Country. 1 February 1793 Home Misc. 401 pp. 135-37. Sale value of cotton manufacture imported from Bengal:

1784	£ 908,370	1788	£ 987,012	1792	£1,131,771
1785	1,426,252	1789	959,434		
1786	1,458,416	1790	1,516,493		
1787	1,317,934	1791	1,285,696		

I.O.Charters Vol. II.

The parliament thought the protection enough and the home manufacture looked up in a few months and made such remarkable progress that the Company was forced to sell at ¼ or 1/3 less price. But the Court had to order 2000 maunds of cotton in 1788 and,[1] to placate the mining interest, to export between 1788 and 1790 no less than 5000 tons of copper at a higher price than prevailing in the market.

With the onset of another slump in 1792-93 the clamour against the Company restarted.[2] The representatives of the manufacturers met or petitioned Dundas for various and sometimes contradictory remedies. The Manchester Deputation asked for prohibition of Indian cotton goods and compulsory import of cotton wool by the Company, the latter to increase with British textile exports. The Glasgow letters of 19 March 1793 and 1 May 1793 wanted restrictions on import of muslins under certain sizes and prices, a lower drawback on re-export, permission for individuals to import raw materials in their own vessels and ban on export of textile machinery to India. The Cornish tin and copper mine-owners demanded an immediate guarantee for a regular annual export to China or purchase at a price named by

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(1) George Smith to Cornwallis 10 September 1787 Home Misc. 434. p. 304.

(2) Rostow op.cit. p. 34. The number of bankruptcies mounted from 105 in November 1792 to 209 in May 1793. About a hundred out of 280 country banks failed causing great constriction of commercial credit. See also D. Macpherson Annals of Commerce, Manufactures,, Fisheries and Navigation, London 1805 p. 266.

themselves. The Second Deputation from Manchester asked for reduction of freight to £4 outward and £12 home, exemption of private trade from all duties in India and delivery of raw materials without delay and the woollen manufacturers of Exeter-for participation in China trade or a monopoly of supply to the Company.(1) Apprehending idle capital on the abolition of slave trade, the Liverpool merchants agitated, as early as 23 November 1792, for opening the outports and organised a committee to that end.(2) The gun-powder manufacturers insisted on their right to import saltpetre as the Company's imports proved insufficient.(3) To this battery of demands was joined a memorial from a committee, appointed by the agency houses in London, calling for cheaper freight which could be obtained outside the monopoly of old shipping at £10.(4) Some of the pamphlets with pro-agency house bias, directly attacked the shipping interest - "the millstone that hangs about the neck of the business....." Others dwelt on the immediate necessity of developing the raw materials of India like indigo, sugar, cotton, hemp, etc. which was only possible if private

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(1) I.O.Charters Vol. 10 & 11. The last drew a counter petition from numerous manufacturers of London, Devon, Somerset etc. on 27 March 1793.
(2) Add. MSS. 38,228 f. 153 also I.O. Charters vol. II.
(3) Edmund Hill to Dundas 13 May 1793. I.O.Charters Vol. 10.
(4) John Cochrane to Dundas 21 and 23 April 1793 I.O.Charters Vol. II.

trade could be carried more cheaply.(1)

(Charter negotiations: Meanwhile on 14 January 1793 negotiations had begun, between the Court and the Board, on the renewal of the Company's Charter. "Dundas has contemplated the possible abolition of the Company as a political power from the time when it became evident to him, in the winter of 1784, that the Indian interest in the Direction intended to keep a check on his East India policy."(2) Experience, however, had taught him of the ncessity and certainty of realising the surplus revenues of India through the medium of the Company's commerce. When Lord Cornwallis asserted - "if the fostering aid and protection, and what is full as important, the check and control of the Governments abroad are withdrawn from the Commercial department, the Company would not long enjoy their new Charter, but must very soon be reduced to a state of actual bankruptcy",(3) Dundas seemed to be convinced. "I am greatly shaken indeed" he wrote back, "by what your

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(1) (a) Hints respecting the E.I. trade 4 March 1793.
(b) Thoughts as to Laying open the Trade to India - 23 November 1791.
(c) On East India Commerce - 25 January 1792.
(d) Enquiry into the means by which the Commerce of India may be managed so as to afford the Greatest Advantage to British Subjects.
(e) Upon the Expediency of renewing the Company's Exclusive Privilege - I.O. Charters Vol. II.
Ironically enough, when it touches the cotton manufacturers, these free traders calllondly for a duty of 100% on invoice price of Indian and Chinese cottons.

(2) C.H.Philips The East India Company 1784-1834 op.cit. p. 71.

(3) Cornwallis to Dundas 4 April 1790. I.O.Charters 11A p. 54.

Lordship suggests on that subject and strongly incline to feel, that abroad, at least, such a separation of the government and commerce cannot be made with safety, either to the manufactures or to the manufacturers of India." (1) That imports should be continued ~~in~~ through the Company he had no doubt but he was not so sure of the exports. The reports of the Court had not been very helpful. The clamour of the manufacturers was not decisive: "I am satisfied that the merchants or rather the manufacturers of this country are under a delusion, which will vanish on a nearer approach to the subject." (2) But they had a point in pressing for raw materials: "the import trade of the Company from India, may be rendered more subservient, than it had hitherto been, to the manufacturers of this country, by the importation of raw materials." (3) He wanted to steer between the palpable needs of the British industry, then in the throes of a depression, and the higher policy of imperial government which discountenanced open trade. He had evolved the idea of "a regulated monopoly" - "by which expression I mean that the monopoly must be so regulated as to insure to the merchants and manufacturers the certain and ample means of exporting to India, to the full extent of the demand of that country for the manufacture of this, and likewise a certainty that in so far as the produce of India affords raw materials for the manufacture of Great Britain or Ireland,

(1) Dundas to Cornwallis 13 November 1790 ibid. p.74
(2) First instructions of Dundas to Francis Russell ibid p.200
(3) ibid p.206. also Mr. Dundas's plan received from Mr. Pitt 15 November 1792 (in typescript) I.O. Charters vol. 9.

that produce shall be brought home at a rate as reasonable as the circumstances of the two countries will admit of."(1) He had to offer something to the manufacturers though their demands were contradictory.(2)

Pitt and Dundas told the delegates of the English calico and muslin manufacturers(3) that an absolute prohibition of Indian cottons would harm British manufacture more and that a certain quantity of tonnage would be offered to enable the British subjects to bring raw materials - but this was to be done through licensed free merchants. They definitely declined to the Second Manchester Deputation(4) to go lower than a freight of £5 per ton of exports and requested them to consider the peculiar nature of the East Indian shipping before asking for a freight of £15 per ton of imports. The China trade could not be thrown open though country traders would be at liberty to take British manufactures from India to China. Duties would be lowered, if possible, and private goods would be delivered early. In accordance with Dundas's correspondence with Lord Falmouth and other tin mine owners of Cornwall,(5) the Company was

(1) Personal Observations of Dundas on Hints 16 February 1793. Home Misc. 401. p. 248.
(2) John Cochrane. General observations on monopolists - The E.I. Co. in particular - animadversions on their reports 14 April 1793. I.O. Charters Vol. II.
(3) 20 March 1793 Home Misc. 401. pp. 298-300.
(4) 23 March 1793 ibid pp. 295-97.
(5) Dundas to Lord Falmouth 22 March 1793 ibid p. 290.

requested to take 800 tons of tin each year and, inspite of Baring's protest,(1) the Committee of Correspondence had to agree to accept 800 tons of tin at £75 per ton and 1,000 tons of copper at a price not below a fixed level.(2)

The Observations of the Court on Dundas's personal observations of 16 February 1793 laid bare the real interest affected by this talk of regulated monopoly - viz. the Old Shipping Interest. In 1792 the New Shipping Interest, now led by Brough, Chapman, Fiott etc., had joined hands with Randle Jackson, Charles Grant, Thomas Henchman and David Scott and opened a fresh attack against high freight and abuses like 'hereditary bottoms' and 'sale and command' which kept freight so high.(3) Dundas was not to be drawn in to make an open criticism. But he hinted at the need of moderation at Leadenhall Street: "I have uniformly discountenanced every suggestion which tended to set aside the present valuable capital employed in the shipping service of the East India Company....It is obvious that the controversies which have taken place on this subject, cannot be matter of Parliamentary arrangement, but must be left to the discretion of those who have the management of the Commercial interests of the Company, at the same time I have no hesitation in declaring my opinion, that as on the one hand the freight should be settled once for all on a fair and equitable

(1) Baring to Dundas 9 March 1793. I.O. Charters vol.10
(2) 6 May 1793. I.O. Charters Vol. 10.
(3) Notice to proprietors of East India stock and letter to Dundas 14 May 1792. I.O. Charters vol. II.

footing, so on the other hand it ought to be understood that freight so settled, persons whose property is embarked in this concern, should not be kept in constance agitation......"(1)

A memorial on clandestine trade, which reached Pitt and Dundas on 18 March, stiffened their attitude towards the Court considerably.(2) It disclosed that private fortunes valued at least ten millions sterling had been forced into foreign channels since the grant of the Diwani due to the illiberal policy of the Company. In 1791 the clandestine trade amounted to 10,255 tons while the aggregate of British imports was 7500 tons of which the privilege goods amounted to 300 tons only.(3) The legislature had, by mistaken penal measures against agents, contributed to the perfection of the arts of evasion. Dundas sent the memorial to the Court asking for permission to all persons resident in India to act on agency for any persons, reduction of freight homeward to £15 per ton and of charges to 3% and permission to the Company's servants to recover property in a foreign country in the same manner as British subjects were entitled to.(4) This was evidently a concession to the agency houses who

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(1) Dundas to Baring 23 March 1793 I.O. Charters Vol. II.
(2) Memorial respecting Clandestine trade. I.O. Charters Vol. 10.
(3) App. XXII to the Memorial ~~on~~ Home Misc. 401 pp. 331-32.
(4) The Report of the Committee of Correspondence 25 March 1793 paper No. 22. I.O. Charters Vol. 10.

suffered greatly from frauds of foreign drawers of respondentia bills.

The Court was, however, playing a delaying game. The Committee of Correspondence defended the Company's rate of exchange, found the scheme of debt-transfer a sufficient medium of remittance, bargained about freight which it now agreed to lower to £20 (£8 out and £12 home) and challenged the statistics of clandestine trade in the memorial. Bent upon experiment, Dundas sent to the Chairman the proposed resolution on the future government and trade to India. He fixed the minimum of shipping to be allowed to the private traders at 3000 tons at £5 out and £15 home,(1) reduced the charges to 3% and provided for quick delivery of raw materials even before sale. He shrank only from one point, namely the demand of the merchants to use their own ships.(2)

In reply the Court published his letter of 18 March. Baring tried to delay the matter further by referring it to the General Court and having it settled by ballot. This so exasperated Dundas that negotiations were almost broken off and attempts were made to oust Baring from the Direction. Dundas was now convinced of the free trader's case. "In the original views," he wrote, "I was not aware of the extent of the clandestine trade, and, of course, did not feel the importance of this part of the subject in the manner I now do."(3) He could not ignore the abundant evidence of illicit trade put into his hands by

(1) The Court was prepared to offer 6000 tons.
(2) Thomas Newte to Baring 27 March 1793 I.O. Charters Vol. 11.
(3) Baring to Dundas and Dundas to Baring 7 April 1793. I.O. Charters Vol. 10.

David Scott as a reply to the Committee of Correspondence some time in mid March. Scott was not entirely disinterested. Apart from his well-known free trade views, he was being influenced this time by the needs of his correspondent in Bengal - William Fairlie. Messrs. Fergusson Fairlie & Co, unable to get tonnage from the Company for their piece goods, "were obliged to send them to Ostend, Lisbon and other ports."(1) They wanted reduction of duties and charges on piece goods "as they had one or two ships loaded with piece goods for London."(2) and desired that indigo should not be charged by measurement. Scott lost no time in jumping from the particular to the general: "If one merchant hopes to send 1 or 2 cargoes what may not be expected - from all Bengal, Madras and Bombay? You'll see he points out the heavy charges at the India House."(3) A week later he supplied Dundas with information on the schedule of charges at other European ports and a still greater weapon - his own masterly analysis of the Company and clandestine trade.(4) Finally convinced of the enomity of the situation and the urgency of some countervailing measure, Dundas never looked back.

Scott's analysis comprehends India and China and all branches of trade. He put the average export to India from Europe

(1) W. Fairlie to David Scott 2 June 1792 I.O.Charters Vol. 10.
(2) Same to same 31 August 1792, ibid
(3) David Scott to Dundas 13 March 1793, ibid.
(4) Scott MSS. Home Misc. 404. pp. 99-255.

for ten years between 1781 and 1790 at 37,454 tons per year worth £2,393,610 of which the foreign companies held a share of 18,048 tons, clandestine trade - 10,255 tons, private trade in the Company's ships - 4,258 tons, and the Company itself - 4893 tons worth only £346,070 or a little more than 14% of the whole. Clandestine export trade had grown from one ship of 700 tons in 1777 to twenty two ships of 10,255 tons besides those in India or on the way back to Europe.(1) Of this nine tenths originally belonged to the English and eight tenths still remained in their hands. 5505 tons from Ostend were entirely English property and Ostend was regarded in Europe as a British port.(2) Private trade in the last five years had exceeded the average of the previous five and would rise to 20,000 tons if the Company gave similar facilities as at Ostend. Meanwhile the Company carfied more iron ballast than merchandise and had surrendered the trade in military stores to the Americans, though its trade in woollens and metals proved profitable and not losing as the Company's accounts would have it. Imports from India in the same period averaged 34,650 tons per year of which the foreign companies held 19,106 tons, clandestine trade - 8,000 tons, private trade-582 tons and the privilege trade allowed in recent years - 300 tons while the Company itself brought no more than 6662 tons. Out of a

(1) Ibid p. 100.
(2) ibid p. 101

total sale value of £7,331,669 the Company's share would amount to £1,962,095, barely equal to that of clandestine trade.(1) This could not have been otherwise, for, when charges on import of Indian produce were computed, a ton of raw silk bore £205 - 10-4 in England, £27 - 12 at Ostend and £26 - 19- 12 in Holland; and similarly in the case of piece goods which bore £158-9-3 in England, £79-8 in Holland and £23-10-8 in Ostend.(2) No wonder that foreigners would try to exploit this situation, knowing the need of remittance felt by the British subjects.(3) Clandestine trade had increased to 8000 tons worth about £2,000,000 per annum(4) and would still rapidly increase now that the Americans had appeared in the Indian waters.

Almost as soon as the first American ship entered the Hooghly in 1785 George Smith had warned Dundas of its significance.(5) The _Hydra_, formerly a British frigate, with several British owners, Commander John Haggy and a majority of British crew, with clearance for Madeira and Rhode Island, naturally aroused his suspicion.(6)

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(1) ibid p. 155.
(2) ibid pp. 160-63,
(3) "There is not a proposition in Euclid morecertain than that trade will ever find its way to that country, where, with equal advantages, it enjoys most freedom." - ibid p. 160.
(4) ibid p. 172. Holden Furber has estimated total drainage from India through illicit trade at £6,750,000 or at most £7,000,000. (op.cit.p.308) But he has not added the drain through the channel of American ships.
(5) George Smith to Dundas 5 August 1785, op.cit.
(6) Home Misc. 605 - Notes on Americans, Madras, 27 July 1785. pp. 59-60.

It was, however, allowed to unload under the French colours. The next recorded case was of the Chesapeake which arrived at Calcutta in 1787 - owner a former military officer at Bombay and now of Calcutta, crew - British.(1) The Government, unsure of relations with the United States, treated it with the same leniency. In 1788 Consul Temple warned the Marquis of Carmarthen that American ships coming back from India touched at an American port for show, their real destination being London.(2) In the same year an American ship was reported to carry £20,000 out of £50,000 in clandestine trade for Madras gentlemen" who adopted this circuitous route of getting their profits to England in preference to the more expensive one of a direct remittance."(3) Even British capital began to be invested for this purpose in ship-building at Boston(4). According to David Scott's information, in 1791, the Americans sent 31 ships to India and China some of which returned to Ostend laden with clandestine trade.(5) In the same year Governor Sir John Orde informed Grenville that the Americans were ousting the British carrying trade in East India goods from the West Indies.(6)

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(1) ibid. p. 60.
(2) Home Misc. 337 pp. 73-4.
(3) Bond to Marquis of Carmarthen 5 May 1788 ibid. p. 77.
(4) Sir John Temple to the same 7 May 1788 ibid pp. 85-86.
(5) Scott MSS. op.cit. pp. 167-68.
(6) Sir John Orde to Grenville. 31 July 1791, I.O. Charters Vol. II.

From Scott's evidence and Foreign Office reports on American trade Dundas came to the conclusion that, leaving aside exaggeration on the part of the memorialists, the clandestine trade could not be put below £1,000,000 a year and must be immediately scotched if London was to be made the great emporium of world trade. In this connection David Scott pointed out to him the crucial importance of the piece goods trade. If the private merchants should fail to get a share of home consumption, they must be allowed to import for re-exportation without duty - "Nothing but this can lay the axe so as to reach the root of the clandestine trade."(1) Dundas had already written about it to the Chairman(2) and on Scott's advice again, contended for repeal of Sec. 29 of 21 Geo III Cap. 65.(3) It was best that the agency houses be legalised so as to bring all agency business to the British subjects, more amenable to the Company's jurisdiction. If the Company suffered from the proposals of reduction of freight, "it is the duty of the East India Company, circumstanced as they are, to concur in those ideas." The end of the letter is significant: "The policy of continuing the exclusive trade of the Company, rests on principles of expediency and political economy, not totally, but in great measure distinct from the pecuniary interests, either of the East India Company or of the Public." This was the final word. On 17 April, 1793 the Company surrendered.

(1) Scott to Dundas 22 April 1793 I.O. Charters Vol. 10.
(2) Dundas to Chairman 15 April 1793 Home Misc. 401 p. 398 also see advice of Scott to Dundas 11 May 1793. I.O. Charters Vol. 10.
(3) Scott to Dundas. 28 April 1793, 11 May 1793 I.O. Charters Vol. 10.

An analysis of the Charter of 1793 shows how, by its very nature and circumstances, it was a compromise between diverse interests struggling for satisfaction. On one side stood the mighty shipping interest, entrenched behind a privilege grown sacred in more than a century of "glorious history"; on the other were ranged the forces of a new age, the protagonists of a new order which envisaged a still more glorious future. They included the new shipping interest which wished to obtain a share of the shipping contracts, the agency houses which wanted to do business unfettered by penal acts of the Parliament and untrammeled by the Company's overriding authority, private traders (agency houses in the last analysis) who asked for participation in the growing trade between England and India, the capitalists (agency houses again) who wanted to invest in the government secrrities at a high interest with regular facilities for remittance, the manufacturers who desired profitable markets for their rapidly mounting surplus goods and cheap sources for their much-needed raw materials, the creditors of the Company who asked for a guarantee for their loans and a safe transfer of debt and, last of all, the public, agitated over the controversy between free trade and monopoly, and bent upon exacting a price for the renewal of the Charter. In between stood the ministry - poised on the brink of the longest of wars that Britain had ever waged -

the Revolutionary and Napoleonic Wars. Dundas was not only playing for political expediency but was working on sound common sense when he decided on a compromise between monopoly and regulation. His object was "to engraft on open trade upon the exclusive privilege of the Company and to prove by experiment, first, how far the complaints, to which I have referred, are well-founded, and next, how far it is practicable to cure the evil (of clandestine trade), without injury to the public."(1)

This empirical, almost pragmatic, attitude of Dundas as contrasted with the doctrinaire philosophy of free trade was the only rational if not the only possible one in 1793, when the question of shipping did not look so easy and the obvious merits of the particular kind of vessels, engaged in India and China trade, could not be ignored. A new system might well have jeopardised the existence of the Company for as yet a chimerical advantage. We have seen Dundas was never sure of the outcome of the proposed relaxation, he even leaned on the side of pessimism. He had been convinced, first, by his own experience of the Company's finances and secondly, by the correspondence with Cornwallis and Baring, of the interdependence of commerce and government in India and the importance of the India monopoly for the maintenance of the China monopoly. Again, though this cannot be pressed too far, as statesmen,

(1) Dundas's speech, 23 April 1793. Hansard's Parl. Hist. Vol. XXX p. 683.

the Ministers could not have alienated the seventeen members of the Parliament of 1790-6 who belonged to the City and shipping interest and voted with the Government.(1)

The compromise can be traced almost clause by clause. The India and China monopolies were preserved for the Company but the private traders had a statutory claim on 3000 tons of its shipping. There were safeguards for the Company in the special licence required for export and import of certain articles which received preference in the Company's list of investment (military stores, ammunition, naval stores and copper; calicoes, dimities, muslins or materials made or manufactured with silk or cotton or mixed silk and cotton); there were safeguards for the merchants and manufacturers in the provision for appeals to the Board and for the latter's permission to individuals to export or import such articles according to the state of demand in the market. There was a general provision for an increase over the statutory 3000 tons, the freight was lowered to £5 per ton out and £15 per ton home in peace time and the charges were cut down to 3% on sales. But the Company reserved the right to increase freight in war time which, again, was hedged with conditions and control of the Board. Sale of goods was to be in the hands of the Company but the sale of raw materials had to be frequent. The agents got many previous restrictions lifted and even secured the right to obtain special

(1) C.H. Philips The East India Company 1784-1837 op.cit. Appendix 1, List III, p. 312.

licence from the Board but the Company retained the right to confine them within ten miles of the Presidency towns and to cancel their licences for infringement of the covenant. If the creditors were assured of a priority for their interest next to civil and military charges and charges of collection, as also of transfer of their capital by a fixed annual amount (£500,000), the Company was allowed to make an investment of at least one crore of current rupees which could be increased with progressive redemption of debts. This must be regarded as a great boon for the first time conferred upon the Company. Before 1793 it could invest only the surplus Indian revenue and the proceeds of its exports - the former being vague enough to involve it in commercial illusions and financial uncertainties. Now it could legitimately calculate on the basis of a fixed remittance. The shipping interest, which made a real sacrifice on this occasion, was spared the ordeal of a Parliamentary investigation into its not too savoury practices and of the statutory imposition of open and fair competition. The stockholders in general were given an increase of 2% in the dividend without a too careful scrutiny of the balance sheet. The manufacturers were assured of cheap raw materials though the Company retained its hold on piece goods and raw silk trade. In the matter of freight and charges the spirit of compromise is evident. Rate of freight on export was lowered to £5 per ton to please the former and extend the sale of British manufactures abroad but they did not secure cheap freight home, though charges were lowered to 3% to lessen the price of raw materials. The public, confused by the clamour of free traders, and the Parliamentary Jeremiahs like Francis, were placated with a promise of £500,000 for the Exchequer but, here again, the balance was kept even by the introduction of a condition which suspended the payment when debts in India rose above £2,000,000 and bond debts in England above £1,500,000.

Considering the little influence of the agency and manufacturing interest in the Parliaments of the late eighteenth century, the degree of success attained by them appears to be flattering. The explanation of this success, however, lies elsewhere. The statutory relaxation of the Company's monopoly was the logical culmination of what Dundas had felt about the Company since 1784 and what had been happening in Bengal (and in Madras and Bombay) for a long time. The dependence of the Indian Government on public loans for war or investment and on the machinery of agency houses for remittance of funds to China and supplies to other Presidencies; the chronic lack of money to buy goods for London and the forced invitation to private traders to fill up vacant tonnage with privilege (and thus save the Company a lot of freight and demurrage); the scarcity of specie peremptorily calling forth private import of bullion; the frantic search for an article (besides piece goods) which would yield a profitable remittance and the ultimate selection of indigo manufactured by private planters (and financed by the agency houses); the political as well as the economic necessity of combating the evil of illicit trade - all these symptoms underlined a fatal disease which admitted of two alternative remedies. Either the Company must liquidate its Indian debts by producing a big and secure surplus and conduct an extended trade by increasing its capital and sending it to India in the shape of bullion or it must take the private traders into partnership and furnish them a commercial medium of remittance. As the Company was not prepared to adopt the former in 1793 it was bound by historical forces to adopt the latter and surrender a part of its monopoly.

The manufacturing interest made a lot of noise in 1793 but it was not strong enough to force the issue. Its reaction was precipitated by a temporary trade-recession, not uncommon in the first stages of the Industrial Revolution. It was on the whole satisfied with what it obtained. Throughout the agitation over the Charter it was the agency houses which spearheaded the attack and David Scott, their representative, held high office in the Direction and had the ears of Dundas and Pitt. They were, in fact, so sanguine of success that they entered into speculative ship-building in Bengal for carrying goods after the end of the monopoly. They also failed to secure their whole object. But considering the safety of the Indiamen, the freight was not so dear and the condition of the Indian market, the tonnage not so inadequte. They had secured the thin end of the wedge which, in future, could be used as a lever to prise the door open further and further. Unfortunately their calculations of gain were upset by the long drawn-out wars with France. When the Indian and the London markets failed to respond to their frenzied speculation, the problems of freight and remittance revived in a more virulent form. The smooth edges of the compromise wore thin under the impact of events and the irreconcilable contradictions between monopoly and free trade, between mercantile and industrial capitalism, emerged once again. The shipping interest and the private trade interest knew they were each other's real enemies. The struggle over the Charter of 1793 had been a preliminary skirmish which yielded only the outerwork of the monopolist stronghold. Its next phase began almost as soon as the Charter was renewed to the Company for the next twenty years.

CHAPTER II

Wellesley and Private Trade

In this chapter I propose to deal with the failure of the compromise of 1793. I shall discuss the private trader's grievances, the consequent increase of clandestine trade, the Supreme Government's policy of supporting their claims to use India-built shipping, the conflict this produced between the shipping interest and Wellesley who was supported by Dundas and David Scott, the extension of the conflict to the General Court and the Parliament, Scott's struggle on behalf of the private traders, his first success and ultimate failure, the intervention of the Addington Ministry and its imposition of a new compromise, favourable to the shipping interest, which heralded the victory of monopoly and the defeat of the private traders. The period roughly covers ten years of continuous war which deeply affected the struggle in its various phases.

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Some time in 1794 Anthony Lambert, the head of one of the principal agency houses in Calcutta, Lambert and Ross, made an extensive survey of Bengal's commerce. According to him the total

British export trade from Calcutta amounted to C.R. 1,43,50,109 - Bengal's investment in 1791, C.R. 1,06,00,109, being taken as the average of the Company's export trade; about C.R. 15,00,000 as the average of private trade and C.R. 22,50,000 as the average of privilege trade. (1) Foreign shipping, clearing directly for Europe and America, averaged at 12,963 tons during 1792-94 (2) but to this should be added 1036 tons as about one sixth of all ships, clearing for the Indian ports, went to Europe or America after touching at an Indian port on the way. (3) Valued at C.R. 1000 per ton, since it consisted mostly of gruff goods, the foreign export trade of Bengal amounted to C.R. 1,40,00,000, almost equal to the total British export trade.

What Lambert called the Pacific Commerce of Bengal was generally known as the country trade and he usefully sub-divided it into three component branches - the Coasting, the Gulf and the Eastern trade. (4) "The coasting trade of the Peninsula of Hindostan is rendered of more than ordinary importance by its

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(1) Eur. MSS. D 281 p. 27. Private trade averaged during 1790-92 at 300 tons per year, valued at £694 per ton, while privilege trade exceeded 750 tons a year, valued at C.R. 3000 per ton.

(2) ibid 1792 - 13,622 tons, 1793 - 14,717 tons and 1794 - 10,550 tons.

(3) ibid. The tonnage of ships clearing for the Indian ports was taken to be 6212 tons.

(4) ibid p. 28.

political relation to the Company, the Sovereign of Bengal."[1] It had two great branches - Coromandel and Malabar - of which the former was the more valuable because it gave continuous employment to a large portion of the British Indian tonnage. The principal exports to the Coromandel coast consisted of grain, pulse, sugar, saltpetre, molasses, ginger, pepper, ghee, oil, silk, muslins and spirits. In 1793 84,045 tons cleared from Calcutta for Coromandel - valued at 34 lakhs. Exports in native dhonies[2] amounted to 5 lakhs a year. Exports to Malabar in the same year occupied 28,100 tons of which 25000 tons consisted of grain and pulse worth C.R. 8,12,500 and the rest of sugar, raw silk, silk and cotton piece goods, bagging, hempen rope and saltpetre. The Gulf and Red Sea trade was conducted mainly through Bushire in Persia, Bussorah in Turkey, Muscat and Mocha. It was very profitable formerly, worth 30 lakhs annually, but had greatly declined since anarchy prevailed in Persia and Egypt. Trade to the East coast of Africa, Mauritius and Maldives amounted to 8 lakhs in grain, sugar, silk and cotton piece goods. In the nineties the Eastern branch of the country trade was gradually superseding the other branches. Exports to the Andamans were a meagre half a lakh; to Ava, Pegu and Arracan - about 6 lakhs in piece goods, cotton, iron and naval stores; while opium formed

(1) ibid.

(2) A dhonie is a small native boat.

the grand staple of commerce with China, Malay, Manilla and Batavia. In 1794 alone about 35 lakhs worth of opium was exported to China and Pulo Penang (1) besides grain, saltpetre, iron, cotton and piece goods which amounted to another 20 lakhs. The total maritime export of Bengal thus came up to C.R. 4,07,50,000. The inland export trade to the Deccan, Tibet, Nepal etc. was worth C.R. 98,42,359 in 1795. (2)

Anthony Lambert gives little information regarding Bengal's import trade. For that we have to go to the Bengal Commercial Reports, a series of reports on Bengal's external commerce, based on the CustomsHouse records, which begin in 1795. In that year the private individuals imported about S.R. 1,13,48,871 in goods and bullion, a meagre S.R. 22,73,161 of which came from London. (3) Imports from Copenhagen were worth S.R. 7,70,136 and from Lisbon - S.R. 10,24,943, from Hamburg - S.R. 6,57,431 and from the United States - S.R. 8,43,118. Coromandel sent salt, redwood, fine cloth

(1) ibid p.29. It was to protect this growing trade that Dundas in in 1790 asked Lord Grenville to secure an interim settlement in the East Indies. The need for such a settlement was broached to him by Fergusson, an ex-partner of Fairley and a partner of David Scott & Co. Dundas to Grenville 30 may 1790 and 1 July 1790. H.M.C. Dropmore 1892, Vol. I, pp. 588-91.

(2) Bengal Commercial Reports 1795-1802. The series may be obtained at the India Office (now Commonwealth Relations Office) Library.

(3) The value of a Sicca rupee (S.R.), the real rupee current in Bengal (as distinguished from a current rupee which was a coin of account), was about 2s.6d. Exchange between S.R. and C.R. was like 1 S.R. - 1.16 C.R. or 100 S.R.= 116 C.R. The sale value of the Company's imports was C.R. 20,51,366 in 1795-96.

and chintz worth S.R. 20,86,034, Malabar - sandalwood, coir, pepper, spices and cotton worth S.R. 1,29,168, the Gulf area - coffee, brimstone, dates, horses etc. worth S.R. 9,05,845, Africa and Maldives - coir and cowries worth S.R. 17,167 and S.R. 47,975, Pegu - teak, tin, wax, ivory and lac worth S.R. 1,55,301, Malay - pepper, tin, wax, betelnut, gold dust and specie worth S.R. 17,81,849 while China sent tutenagne, sugar candy, tea, alum and porcelain valued at S.R. 5,78,787. The trade balance was in every case favourable to Bengal and either paid in silver or in bills on the Court or on the government of Bengal or on the agents in England. The rate of exchange on London was about 2s.1d. or 2s.2d. per current rupee or 5s.6d. per dollar and the China bills were eagerly bought by persons who wanted to remit funds to London. About S.R. 1,12,93,453 worth of goods and bullion were imported into Calcutta in inland trade in 1795-96.(1)

The trade statistics given above are bound to be imperfect and unscientific but they show the trend of Bengal's trade with the world. The foreigners were still on a par with the British traders in 1795 and the share of London wasfar from being paramount. The struggle detailed below centered on the attempt of the British traders, who were supported by men of vision like Dundas, Scott and Wellesley, to carry the maximum share of Bengal's trade to the port of London. Itwas in fact the economic counterpart of their

(1) Bengal Commercial Reports 1795-1802 op.cit.

political offensive against foreign powers in India. Political and economic supremacy in the East were interdependent and the struggle for both went hand in hand.

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The private merchants of Bengal expected a great deal from the Charter of 1793. Secure in the possession of the country trade, the extent and ramifications of which had been described above, they looked forward to a profitable connection with the Mother Country which would be a medium of trade as well as of remittance. The three thousand tons offered by the Company, though inadequate, seemed to be a modest beginning save to those who had speculated in ship-building in India in the hope of abolition of the India monopoly. But the merchants were soon disillusioned about the good intentions of the Company as they were disappointed in their wild expectations of a windfall, while the ship-owners began to press from the very beginning that their ships be hired by the Company and re-let to them for carrying private tonnage on their own terms. The angry acrimonies of the former and the persistent pressure of the latter soon created a situation which boded ill for the future of the compromise of 1793.

Sir John Shore, the talented and industrious expert on revenue matters who had done the spade-work for the Permanent Settlement but the cautious and the conscientious administrator who had opposed the precipitate measures of 1793, had succeeded Cornwallis. To him the memorial of the merchants of Calcutta expressed in 1794 this disappointment which had been heightened further by Shore's refusal to take up the <u>Lachmi</u>, an India-built ship belonging to Lambert and Ross, though Cornwallis had provisionally accepted it because of the shortage of the Company's tonnage.(1) But Shore also refused to licence other ships offered to him or to find tonnage for the cargoes prepared for those ships(2) because he did not feel justified in taking up ships merely for private tonnage.(3) He only recommended relief, specially for indigo, calculation of freight by measurement of which was positively oppressive and the advances for which were given in depreciated paper instead of in cash.

The memorial of 10 April 1795 was stronger and more elaborate. It considered 3000 tons for private trade inadequate, freight too high for exportation of gruff goods and 33.1/3 to 50% beyond the rate offered by foreign ships, "a preference which precludes competition on our part in all low priced goods, and must continue to force all the surplus produce of this country beyond the Company's investment, or the greatest part of it, to foreign

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(1) G.G. in C. to Court (Comm[l]) 12 August 1793.
(2) G.G. in C. to Court (Comm[l]) 12 January 1794.
(3) Bengal Commercial Consultations 24 November and 9 December 1793.

ports."(1) The refusal of ships in 1794 had resulted in a wholesale consignment to Copenhagen.(2) The memorandum also protested against uncertainty of tonnage, limitation of the period in which tenders could be made which restricted the choice of the consigners to a dear market early in the productive season or forced them to fail their tenders, and finally, hazard of disappointment when the Government appropriated a tonnage far less than applied for. Though the Company had postponed the last date to accommodate merchants, the freight charged on tonnage, offered during the period of grace, was uncommonly high, about £35 per ton, while the ordinary war freight was no less burdensome at £22.10s. "To trade on these terms is rather a species of gambling than a sober regulated commerce."

Richard Johnson, a Bengal merchant, voiced other grievances.(3) As the Company controlled the credit market by its huge debt transactions, they could neither borrow cheap nor, specially after Cornwallis's reforms, lend dear. Salt and opium were entirely in the Company's hands. The private traders could have made the same profit at a reduced scale of prices. The regulation for weavers, passed in 1787, had put undue restrictions on the relations between them and the private traders, depriving the former of legitimate

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(1) Eur. MSS. D. 281 p. 35. Fall of San Domingo in rebel hands had increased the Continent's demand for indigo and sugar. Reduction of tax on tea also contributed to it. High freight, however, stood in the way of large scale export.

(2) Lambert & Ross to Prinsep (the owner of the <u>Lachmi</u>) 4 February 1794, Home Misc. 405. P.387. Also Prinsep't speech at the Court of Proprietors, 3 July 1799 ibid p. 84, and Foreign Letter to the Court, 18 August 1795.

(3) Richard Johnson to Dundas 23 January 1794 Home Misc. 435, pp. 113-116.

price and the latter of the surplus produce of the country which was increasingly demanded by Europe. Raw silk and opium trade in the Red Sea area was affected by the Company's trade in the Levant. Over all stood the Company as a Colossus beating down its competitors with its sovereign powers on the one hand and surplus Indian revenue on the other.

The Bengal merchants were really trying to take advantage of a speculation in commodities in the British and the Continental markets in 1795, following from the Revolutionary War, without having to pay increased freight, insurance and interest rates. Not only prices of imports were rising in the London market but re-exports to Hamburg and other places. The private traders reiterated their plea that the Company should take up Indian shipping not only to protect itself from loss which would otherwise accrue from hiring costly extra-ships in England, but also to enable them to trade cheaply and remit their fortunes profitably. They offered thirty thousand tons of shipping belonging to the British merchants, resident in Calcutta, of which above sixteen thousand had been built in Bengal,(1)

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(1) Eur. MSS. D 281 p. 36.

at £12 per ton in peace and £16 per ton in war provided the owners were allowed to load the ships themselves or procure cargoes from private traders at the same freight at which they had engaged with the Company. Such ships were to return in ballast or with British manufactures at the owners' option and the Company was to have an option to send stores or troops in them, the former at £4 per ton and the latter for the usual allowance.[1]

Shore could only help them by a liberal customs policy which took off duty on grain, indigo and silk, if exported in the Company's ships, on brass and copper utensils, spirits, distilled in European manner, and goods imported for exportation. He ordered Bombay and Madras not to levy duties on Bengal goods. However, he ~~next~~ asked for permission of the Court to hire Indian ships next year and charge private goods the same low freight as would be paid to their owners.[2]

Quite unexpectedly the permission came, first, to carry an extended investment for which no regular tonnage could be sent[3] - the home government having taken seven of the Company's ships for war purposes - and secondly, to carry grain and rice to England

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(1) For other grievances like restrictions on certain articles and naval stores etc. see Memorials of London Agency houses - 15 Sept. and 11 Odt. 1794, 11 Oct and 25 Nov. 1795.

(2) G.G. in C. to Court (Comml) 15 May 1795.

(3) Secret Committee of the Court. to G.G. in C. 20 February 1795. Of 11,550 tons offered in Calcutta - 2900 tons were accepted at once and the rest conditionally at £16 per ton. G.G. in C. to the Court. (Comml) 2 November 1795.

where an extreme scarcity was felt.[1] The owners offered more than 20,000 tons at £16 per ton for all goods save piece goods on which they asked for £20. The Government closed on the offer accepting the private tonnage required for 1795-96 also at this freight, with a slight addition for insurance and interest. The Warren Hastings and the Caledonia of Bengal, both belonging to Mr. William Fairlie, were accepted on the same terms as laid down in the memorial of 1795. In self-justification the Governor General in Council wrote: "we were particularly influenced by a consideration, that it is for the interest of the Company that the produce of Bengal should be carried to Europe on the Company's ships in preference to those of a neutral power."[3]

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This was, however, not to end the private traders' distress. They had brought on themselves the inevitable result of a wild speculation in indigo in the years following the Charter. The Company was responsible for the encouragement of this article in the early stages. From 1779 to 1784 it bought on contract from a single person (Mr. Prinsep) and from 1784 to 1788 from several others (like Udney, Fergusson, Barrette, J.P. Scott etc.) always at a loss. The remittance plan of 1788, adopted by Lord Cornwallis,

(1) G.G. in C. to Court. (Public) 11 January 1796. 8973 tons were taken up for this purpose. Of 15 ships sent, Messers Fairlie and Co. owned 3. Lambert & Ross, John Reid etc. were other owners.

(2) Lambert and Ross to the Bengal Board of Trade 5 October 1796.

(3) G.G. in C. to Court. (Comm^{l}) 2 November 1795.

tried to shift the loss to the manufacturers and secure a profitable remittance for the Company at 2s $4\frac{1}{2}$d.(1) The pecuniary assistance of the Company (which also reduced the charge on indigo imported in privilege to 5% and on indigo manufactured with its advances to 2%) and the great demand for the article in the European market, after the loss of San Domingo on the outbreak of the French Revolution, ~~and~~ caused a speculation in indigo which was further enhanced by a conditional lease allowed by Cornwallis to the European planters in 1789-90 on the advice of Jonathan Duncan.(2) When this privilege was withdrawn (really extended to 1800) in 1794(3) and advances to the manufacturers were first made in depreciated paper (1793-94) and then stopped altogether (1794-5),(4) the trade had increased beyond all reasonable bounds. In 1795 out of a total import in England of 4,368,027 lbs. Bengal alone supplied 2,955,862 lbs.(5) - much above the average demand and four fifths in very low quality, the produce of Oudh and Agra. Since 542,841 lbs. of this had been raised on the advances of the Company, the rest must have

(1) Memorials of C. Blume, an indigo manufacturer. 30 December 1790. Home Misc. 434 pp. 600-603. Also Court to G.G. in C. (Comm[l]) 25 June 1793.

(2) Home Misc. 406 pp. 90-93. The government later stated that the lease was valid only in the case of Messrs. Gilchrist and Charters but was usurped by all planters.

(3) G.G. in C. to Court (Revenue) 29 December 1794.

(4) Sir John Shore to Court. 10 March 1796.

(5) Court to G.G. in C. (Comm[l]) 27 July 1796.

been raised on private capital. Prices toppled down in the glutted London market, suffering from a financial crisis in 1796-97 and temporarily deprived of the Continental outlets. First Calcutta houses like the Fairlies and Barettos, which had gone deeply into the indigo business, suffered a setback,(1) [redacted] This all the more increased their urge for sending India-built shipping which would not only convey their private trade cheaply but automatically remit their income on freight besides proving on sale a source of repayment of loans contracted in England.(2)

The distress of the merchants increased with the interruption of the Eastern trade in opium due to the depredations of the French privateers(3) and the outbreak of war with the Dutch.(4) Sir John Shore dealt them a hard blow when he refused in 1797 to take up India-built shipping on the last year's terms after a full discussion in the Board of Trade.(5) Even though Messers Prinsep and Saunders offered him 10,000 tons at £16 in war and £10 in peace free of all charges,(6) the Calcutta Gazette of 2 January 1798 advertised freight at £52 15s. per ton for private goods exceeding

(1) Scott to Louis Baretto 16 May 1796 Home Misc. 728 pp. 414-15
(2) Scott to William Fairlie 12 July 1797 Home Misc. 730 p. 72.
also William Fairlie to the Board of Trade - 26 December 1797. Home Misc. 403 p. 161.
(3) G.Gl in C. to Court 2 June 1794 and
do do (Public) 30 December 1797.
(4) Sir John Shore to ~~the~~ Court 24 September 1796.
(5) Proceedings of the Board of Trade 26 July 1797.
(6) John Cochrane on Private Trade and Shipping, Home Misc. 406 p. 60.

the statutory tonnage and/or offered after the stipulated period. Not satisfied with this the Government imposed an import duty of 15% on all indigo from Oudh and other western countries which affected many planters and agency houses.(1) Its firmness became more manifest when it refused to pay indemnity though goods of Messers Colvins and Bazett and another agency house were blown up with the Royal Charlotte which was carrying powder to the Cape without the knowledge of the injured parties.(2)

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The result of this negative attitude, assumed possibly at the behest of the Court, was disastrous. British merchants either bought Danish flags at Serampore and engaged in illicit trade with Batavia and Copenhagen or lent capital to the Americans to trade circuitously, sometimes even trading under their flag.(3) The Americans soon monopolised the illicit trade to Hamburg as the Anglo-Danes monopolised that to Copenhagen. British capital remitted through foreign channels, mainly Danish, - Portugese and American (a few Germans and Venetians joined the game), may be roughly calculated from the Bengal Commercial Reports compiled by the Reporter on External Commerce of Bengal. The excess of exports to Copenhagen over its imports to Calcutta during 1795-6 and 1797-98 was S.R. 15,73,540.(4)

(1) Regulation IX of 1797.
(2) G.G. in C. to Court (Public) 31 October 1797.
(3) Prinsep's speech op.cit p. 96.
(4) CALCUTTA - COPENHAGEN (PRIVATE)

Yr.	Imports. S.R.	Exports. S.R.
1795-96	7,70,136	8,13,832
1796-97	5,14,936	17,73,511
1797-98	85,303	3,56,572

Bengal Commercial Reports 1795-98.

To this must be added exports from Serampore which the Reporter on External Commerce puts at S.R. 2,00,000 in each of the first two years and at S.R. 24,00,000 in 1797-98 when Shore refused permission to India-built shipping. Excess of exports to Lisbon in the same period was S.R. 19,40,604,(1) to Hamburg - S.R. 17,33,640(2) and to America - S.R. 31,02,189.(3) Reckoning three fourths of this trade as carried on with British capital at the lowest, eighty three lakhs of rupees had been remitted to Europe by the British traders in Bengal in three years besides their lawful remittance through the Company's channels.(4)

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(1) CALCUTTA - LISBON

Yr.	Imports S.R.	Exports S.R.
1795-96	10,24,943	21,81,371
1796-97	5,18,025	7,10,926
1797-98	6,94,320	12,85,595

ibid

(2) CALCUTTA - HAMBURG

Yr.	Imports S.R.	Exports S.R.
1795-96	6,57,431	17,37,342
1796-97	15,801	6,19,973
1797-98	1,66,411	2,15,968

ibid.

(3) CALCUTTA - AMERICA

Yr.	Imports S.R.	Exports S.R.
1795-96	8,43,118	19,49,319
1796-97	15,49,773	25,60,267
1797-98	10,40,108	20,25,602

ibid.

(4) CALCUTTA - LONDON (PRIVATE)

Yr.	Imports S.R.	Exports S.R.
1795-96	22,73,161	84,08,800
1796-97	17,83,002	50,79,310
1797-98	15,34,219	69,71,529

ibid.

If the war with the Dutch had [redacted] increased profit in the Anglo-Danish trade, [redacted] the ambiguously-worded Jay Treaty offered many loop-holes to the Americans.[1] The Jay Treaty, published on 30 September 1797 in India, did not insist on direct voyages to India nor try to confine the cargoes to the manufacture and produce of America, nor again did it expressly prohibit exports to any port of Europe. The British government, unable to foresee the long war ahead and desirous of amicable relations with the United States in the midst of its mortal struggle with France, did not consider it wise to clarify the clauses. The thirteenth article of the Treaty moreover placed the British and the American ships on par in the matter of customs and charges on pilotage. The cases of the Perseverance at Bombay, the America at Madras and the Elizabeth at Calcutta made the Bengal Government aware of the lacuna in the treaty. The first was charged with carrying on a circuitous trade between India and America via Hamburg on account of a British citizen.[2] When the Solicitor to the Company at Bombay advised leniency, shown before to the Eliza and the Fame at Calcutta, the Perseverance was allowed to clear out for Hamburg.[3] The America loaded goods at Tranquebar, landed them at Madras and asked for permission to go to Bengal.[4] The Elizabeth was charged with trading between

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(1) Hunter Miller (ed.) Treaties and other International Acts of the United States of America, Washington 1931 Vol. II. pp. 255-56.

(2) Home Misc. 337 pp. 171-75

(3) ~~Ibx~~ ibid pp. 407-408.

(4) Fort St. George Public Consult. 18 April 1797.

Serampore and Batavia after loading cargoes at Calcutta.[1] The Governor General concurred with the Advocate General that, though this was not strictly port to port trade within the meaning of the treaty, this would divert all trade to Serampore.[2] The Three Sisters was another American ship, stopped while proceeding from Serampore to Manilla but later allowed to leave for home.[3] Even the very liberal Advocate General held back from allowing an agency house to load an American ship for Manilla.

Hugh Inglis, the Chairman of the East India Company, suggested to Dundas provisions which would counteract this evil which threatened the country and the coasting trade but the latter refused to impose more severe conditions on the treaty than were originally intended and politically desired.[4] When the King's Bench Division finally laid the seal of judicial approval on the widest interpretation of Article XIII in Wilson v. Maryat and the unfortunate case of the Danish ship Helsingoer brought to light the amount of clandestine trade going on between Bengal and Batavia, Dundas had to think of prohibiting trade between Calcutta and Serampore[5] and the Bengal government had to reimpose duties on goods entering that

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(1) Home Misc. 337 pp. 543-54 and p. 575.
(2) G.G. in C. to [redacted] Court. (Foreign) 28 August 1797.
(3) Proceedings Foreign Department 2 June and 23 June 1797.
(4) Dundas to Hugh Inglis 14 June 1797, letters from Board to Court vol. 1. p. 444.
(5) Dundas's memorandum 10 November 1799 Home Misc. 337 pp. 589-93.

settlement from the Company's territories.(1)

Revolutionary War and Bengal finances:

As the exigencies of war had enabled the neutral nations to seize a lion's share of Bengal's foreign trade so had they affected Bengal's public finance. Shore made a modest beginning on Cornwallis's foundations which were none too secure.(2) The revenues of Bengal were thriving towards the end of 1794,(3) showing an increase over the three preceding years. Discount on 6% promissory notes did not exceed Rs 1 - 12 as %.(4) The Government felt so secure that it abolished the town duties at Calcutta and reduced export and import duties at that port to $2\frac{1}{2}$%.(5) Inhuman conditions of the Ajoora(6) molunghees were partially alleviated by abolition of the tenure which was repugnant to "the spirit of the Regulations, and the dictates of justice and good policy."(7) Batta on gold was diminishing and a payment of 8% notes was proposed.(8) Yet within six months the chimera of prosperity had vanished into thin air. 8% loans, which sold at a premium of

(1) G.G. in C. to Court (Separate) 29 September 1798.
(2) See Government decision to limit investment of 1793. G.G. in C. to Court (Comm[l]) 12 January 1794. Discount on 6% notes varied from 3 to 4% do. do. 13 February 1794.
(3) G.G. in C. to Court (Revenue) 18 August 1794.
(4) Shore to Court 21 August 1794.
(5) G.G. in C. to Court (Public) 24 December 1794.
(6) Those who made salt were called molunghees and they were divided into two groups - Ajoor and Thica - the former tenure being based on prescription and maintained by coercion, the latter being based on contract.
(7) G.G. in C. to Court (Revenue) 29 December 1794.
(8) Shore to Court 31 December 1794.

Rs 2 - 8 in October 1794, sold at a discount of Rs 4 - 12 as. in the middle of 1795[1] and 6% loans, at a discount of 4% since 1794, sold at a discount of 10% early in 1796.[2] Advances to indigo manufacturers had to be stopped in 1796[3] which had severe repercussions on the Government credit during the indigo-crisis.

The Government was worried about its revenues. Opium revenue showed decline from 1795-96, the primary cause, besides the expensive contract system, being over-speculation and glut in the Eastern market[4] and the secondary cause - import of cheap opium from the Vizier's territory.[5] Hostilities with the Dutch worsened the situation further by interrupting communications with the East Indies.[6] The Government was so anxious to keep up the monopoly price that it forced the Vizier of Oudh to acquiesce in prohibition of opium import from his territory[7] and even burnt a thousand chests of that drug in Calcutta when none came forward to offer the fixed price.[8] Salt revenue fluctuated as the Court's policy of deriving the maximum from an extensive sale collided with the Bengal Government's cautious policy of deriving it from artificial restriction of production and sale. Only land revenue bore like Atlas the whole burden of

(1) G.G. in C. to Court (Comm[1]) 15 May 1795.
(2) Shore to Court 18 January 1794. G.G. in C. to Court (Public) 2 November 1795.
(3) G.G. in C. to Court (Comm[1]) 7 March 1796.
(4) G.G. in C. to Court (Separate) 11 January 1796.
(5) G.G. in C. to Court (Separate) 2 November 1795.
(6) Shore to Court 24 September 1796.
(7) G.G. in C. to Court (Separate) 20 May 1796.
(8) G.G. in C. to Court (Separate) 30 December 1797.

administration, commerce and war. Even there defalcation was not infrequent and revenue sale of the period went high. The Government tried hard to impress the Court that this was not due to over-assessment, for, otherwise, the value obtained at the sales would not have fetched ten to sixteen years' purchase. But though it knew that sales were mostly caused either by the malafides of the speculating proprietors, who bought back in others' names (and thus quashed all previous rights and encumbrances attached to the property), or by their extravagance and bad management, the Government, anxious to protect its only sure resource, allowed itself to be blackmailed in 1795 when it passed Regulations 35, 36 and 37 which gave the landlords summary rights of distraint for non-payment of rent.(1) Two years later it introduced a new tax called the Stamp Tax (Regulation 6 of 1797) to bolster up a hard-pressed exchequer.(2)

The disbursements, however, kept pace with the revenues. With the outbreak of the Revolutionary War the French settlements in India were taken. A naval squadron under Admiral Rainier, accompanied by an expedition equipped at Madras, occupied Ceylon, Malacca, Banda and Amboina in 1795. The invaders were assisted by the partisans of the Orangist party in Holland who were indignant

(1) G.G. in C. to Court (Revenue) 15 May 1795. also G.G. in C. to Court (Revenue) 1 September 1796.

(2) G.G. in C. to Court (Revenue) 31 August 1797.

at the establishment of a republic. Under the impact of war Bengal had to meet relentless demands from Madras and Bombay to which were added ~~the burden of the capture of Moluccas and~~ the expenses of grain supply to England in 1796 and the spate of bills from Canton. The Bombay government was in the hands of native shroffs like Gopaul Doss Hurrykissen Doss and Monohar Doss Dwarka Doss who lent it three lakhs a month for bills on Benares at a disadvantageous exchange.[1] Madras drained Bengal of much-needed bullion worth 8 lakhs and drew to the extent of 14 lakhs,[2] besides getting permission to draw regularly three lakhs a month and disposing of notes transferable to Bengal at a disadvantageous exchange.[3] A stream of gold flowed again to Madras in 1797.[4] The supra-cargoes of Canton drew to the extent of 100,000 tales, obtained 12 lakhs on loan and a promise that Bengal would pay China bills in cash at an unfavourable exchange.[5] Even Bencoolen was not to be left out of these financial frolics.[6] The deficiency caused by such extraordinary demands reached 30 lakhs at the end of 1796-97[7] and the Bengal investment had to be reduced from the traditional 105 lakhs to a mere 60 (later raised to 84). In 1797-98 discount

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(1) G.G. in C. to Court (Public) 28 August 1795 and 31 August 1796.
(2) G.G. in C. to Court (Public) 11 January 1796.
(3) G.G. in C. to Court (Public) 20 May 1796.
(4) G.G. in C. to Court (Public) 19 January 1797.
(5) ibid. also G.G. in C. to Court (Public) 2 March 1797. Supplies to China from India rose from an average of 2.4 lakhs per year between 1792 and 1796 to S.R. 20,35,469 in 1797-98.
(6) G.G. in C. to Court (Public) 30 December 1797.
(7) G.G. in C. to Secret Committee 2 March 1797.

on 6% paper fluctuated between 14% and 21%, on 8% paper between 8% and 14½% and on 12% paper between ¼% to 1½%.(1)

Defences of the government against the agency houses, who were on the look out for exploitation of such a financial distress, were one by one broken. In order to increase the investment for 1797-98 the government was forced to open a loan at 12%(2) and advise other Presidencies to do likewise;(3) to give the opium dealers a high exchange rate on bills from Canton and Bencoolen; to seek pecuniary assistance from the Raja of Benares(4) and ultimately to intervene in the Court-intrigues of Oudh where it received a high price for helping Nawab Saudut Ally against his brother Vizier Ally. Sir John Shore informed the Court that "...the actual addition made by the treaty to the subsidy is twenty lacks twenty two thousand three hundred and sixty two." He assured further that "this very considerable augmentation of our resources, added to the 12 lacks which the Nawbub has paid, agreeably to the treaty, for the expenses incurred in placing him on the musnud, and 10 lacks which the Governor General has borrowed from Almas Ally Khan, will enable us not only to keep up the investment of 1798 to 105,00,000 of current rupees the standard of last year, but also to appropriate the further

(1) ibid
(2) Shore to Court 5 September 1797.
(3) G.G. in C. to Court (Public) 31 October 1797.
(4) Shore to Court 5 September 1797.

sum of three lacks of sicca rupees towards the increase which you have desired to be made in the provision of sugar."(1)

In short the system, devised in 1793, had broken down. The financial arrangements of 1793 had been made on the hypothesis of a continuation of peace and a steady return from the Permanent Settlement of Bengal, calculated in 1791 to yield more than $2\frac{1}{2}$ crores per year.(2) The very first year of the new Charter, however, saw the beginning of the Revolutionary War which rendered the first hypothesis untenable. The Permanent Settlement by its very nature was rigid and unadaptable to increase of expenditure. It held the hands of the government when civil and, specially, military charges began to rise rapidly due to extension of warlike measures to the foreign settlements in India and the East Indies. Surplus revenue of Bengal stood at C.R. 2,53,99,682 in 1793-94. It dwindled to C.R. 1,75,10,814 by 1797-98 and the charges rose from C.R. 3,33,19,778 to C.R. 4,03,16,599. Besides paying an interest of 35 to 40 lakhs a year on debt, Bengal had yet to contribute towards investment C.R. 1,33,48,793 on average during 1793-97.(3)

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(1) Shore to the Secret Committee 5 March 1798.

(2) Dundas's speech Parl. Hist. Vol. XXX. pp. 667-68 also G.G. in C. to Court (Revenue) 31 October 1799.

(3) Bengal Investment

Yr.	C.R.
1793-94	1,40,20,382
1794-95	1,10,84,487
1795-96	1,45,95,470
1796-97	1,20,23,944
1797-98	1,50,19,685

The average of Indian investment was £2,242,258 per year.

In 1796-97 the total Bengal debt had risen to C.R. 6,20,63,941 - debt bearing interest being C.R. 4,97,20,523. Next year the former leapt up to C.R. 7,67,30,178 and the latter to C.R. 6,07,43,580. Inspite of the addition of more than two crores of debt over two years, Bengal furnished C.R. 1,50,19,685 for investment in 1797-98. (1)

Dundas's concern for India debt and his solution: It is not surprising in this context that Dundas, who now bore the burden of the India Board as well as the War Ministry, became increasingly anxious about the large investments ordered from India inspite of the lack of resources, and about the rise of war freight, the scarcity of ship-timber and of sea men or that he grew more solicitous about the use of India-built shipping for all but the regular and legitimate trade of the Company.

When the Court ordered more silk for throwing it up into organzine, Dundas advised the Chairman, "whenever you see it necessary to make experiment at speculation of the nature in question, or where you are bound to make provision for bringing home private or privilege trade, it would be infinitely more wise to give a power to your Governments abroad to take up shipping on the spot, to the full amount requisite." (2) He warned the Court against trading beyond its capital (3) and since, as sovereign of the Indian

(1) Dundas's budget speeches 12 March 1799 and 25 March 1800. In 1797-98 total India debt stood at C.R. 11,03,26,452 and investment at £2,479,965. Heads of Mr. Dundas' Budget Speeches, op.cit.

(2) Dundas to Devaynes 7 January 1795, Board to Court op.cit. Vol. I pp. 381-82.

(3) Dundas to Chairman 21 October 1796 ibid p. 422, Dundas to David Scott 10 April 1797 ibid p. 433.

possessions, the Company could not circumscribe its trade without encouraging clandestine commerce which would foil his dream of making London the emporium of Eastern trade, the only solution appeared to be engagement of country shipping at cheap freight (1) - as had been proved beyond doubt by Shore's policy in 1796. Dundas supported this policy in a letter to the ship-builders of the Thames who, frightened at the arrival of Indian ships, tried to influence the ship-carpenters at the time of the general mutiny of the navy. "The British territories in India", he firmly asserted, "are under the sovereignty of Great Britain, and the ships built there are equally entitled to all the privileges of British-built shipping, as those built in the West Indies or Canada, or any other foreign dependencies of the Empire...." (2) He was, however, not challenging the peculiar claims of the India and China ships of the line. Since their high freight, still further enhanced by war, private trade and the Company's trade in gruff goods would never be able to bear, he suggested the propriety of their conveyance in cheap India-built ships.

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(1) Dundas's budget speech of 12 March 1799. Heads of Mr. Dundas's Budget Speeches op.cit.

(2) Dundas to the Committee of ship-builders of the Thames 1 July 1797. App. IX of Thomas Henchman's Observations on the Reports of the Directors of the East India Company, respecting the trade between India and Europe, London, 1801.

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David Scott, elected Deputy Chairman of the East India Company in 1795 and Chairman in 1796, found time to help the cause of India-built shipping in the midst of his relentless struggle against the Old Shipping Interest begun earlier in 1794. When the latter tried to continue the existing shipping system on the plea that war had made it "impracticable to lay down a fixed, permanent rate for future freighting",(1) and the Directors agreed to £35. 5s. per ton, though they first offered £31 4s. 10d., Dundas made up his mind to interfere on the side of the New Shipping Interest which had been angling for his favour since 1792.(2) In retaliation the Old Shipping Interest charged Scott, whom they considered as the henchman of Dundas, with having an interest in an agency house with affiliations in India and ended in passing a resolution which debarred the Directors from any connection with an agency house in future(3). Scott was not to be beaten. By 1796, mainly due to his exertions, cheap extra ships were accepted at £35 in war and £20 in peace which forced the regular ships to come down. The Court determined to employ no ship but such as the owner of which would build for its service for six voyages. All old ships were considered as permanently engaged for six voyages at a fixed freight each season

(1) J. Fiott - Addresses on Shipping, London 1795. General Court Debates 19 March 1794.
(2) Board to Court 8 Nov. 1794, op.cit. p. 383.
(3) Scott to William Fairlie 30 March 1795. C.H. Philips, The Correspondence of David Scott op.cit. Vol. I. pp. 21-30.

and additional war allowances were to be settled between the Court and the old owners. "About £150,000 saving in the present season", wrote triumphant but sober Scott, "but not above £70,000 per annum in peace and their (old owners') ships are taken up while they will last. Probably in peace small ships may be had at £18, in which case we have purchased peace with the old owners at an expense of £140,000 per annum on 40,000 tons while they last, and the cheapest purchase ever the Company made if they can by it build by free and open competition."(1) By 1800 this salutary reform had saved for the Company £130,000 per annum.(2) The other thing that was left "to give Britian what her acquisition of Empire in the East appears to be now inherent right" was "a reduction of duties".(3) He had started to move in that direction already. It was he who was behind Sir John Shore's plan of reducing import and export duties to 2½% in India(4) and who had prepared 'A memorial from the Directors of the E.I.Co. to the Lords of the Treasury, 7 May 1797, on the subject of regulating the Duties on East India Goods' which prayed for reduction of the prohibitive

(1) Scott to William Fairlie 8 January 1796 ibid p.52., also, Scott to Alexander Adamson 11 January 1796 ibid p. 56.
(2) C.H. Philips, The East India Company 1784-1834, op.cit. p. 87.
(3) Scott to William Fairlie 8 March 1797. C.H. Philips, The Correspondence of David Scott, op.cit. p. 96.
(4) Scott to Governor Duncan, 31 July 1797, ibid. p. 115.

duties at the London end so as to put the Indian articles passing through Great Britain on an equal footing with those which might find their way to the Continent directly from India.(1)

Scott might have liked to break the shipping interest altogether, says Professor Philips, by admitting more small ships to the Company's service had it not been time to go out by rotation. Unable to make any further impression on the monopolists from the centre, he looked towards India-built shipping he had ordered during his term of Direction to bring investment and rice. Two specimens of such ships, the Caledonia and the Warren Hastings, both belonging to his Bengal correspondents, Messers Fairlie and Co., seemed to presage his (as well as Dundas's) great dream of bringing "into the Thames almost the whole of the Eastern Commerce..."(2) Before his retirement he had persuaded the Court to approve Shore's conduct, the object of which was "no doubt to make India as useful to itself and to the mother country as possible". But, out of the Direction, he observed with dismay the Old Shipping Interest by "... excluding ships built at the outports and India built ships...wish to transfer the monopoly which before rested with the 'old owners in the front and river builders in the rear' to the 'river builders in the front and the old owners in the rear'"(3) He was grieved to

(1) App. 47. Supplement to the 4th Report (1812), paper, No. 4.
(2) Scott to William Fairlie. 8 March 1797 op.cit.
(3) Scott to Sir Stephen Lushington 9 May 1797. C.H. Philips The Correspondence of David Scott op.cit. p. 101.

hear about "foreign ships' arrival in Denmark and elsewhere abroad supposed laden with English money and amounting from £50,000 to £100,000 each" and told Shore that though he could not be of much help now, "it will be great pleasure to me to find that you have been able to put this in such a train as to prevent its afterwards (owing to any petty interests partially operating) taking a retrogade motion when you have left the Government."(1)

Unfortunately, however, 'petty interests' ruled the destiny of the Company: "The present Chairman is our staunch friend and one of the best of men, but opposition have apparently proved too strong, and indeed run wild."(2) In the despatch of 25 May 1798 the new Court, after dryly congratulating the Bengal Government for sending India-built shipping with grain, remarked - "that under the authority of this approbation you are not to consider we mean to sanction as a general measure the practice of hiring ships and re-letting them to individuals for the purpose of their being solely laden on their own private account, as took place in the instances of the <u>Warren Hastings</u> and <u>Caledonia</u> . . . . the tonnage which the law has allotted to the use of the individuals is meant for the accomodation of every description of merchants, whether concerned in shipping or not, in which they have all equal claims of participation . . . whatever shipping therefore you may hereafter be under the necessity of

(1) Scott to Sir John Shore 11 June 1797 ibid p. 106.
(2) Scott to William Fairlie 14 July 1797 ibid p. 109.

taking up in India - must be devoted to the general demand, and not to the use of any particular individual."(1) The Shipping Interest, frightened out of its wits at the amount of tonnage available in Bengal at such low freight, took away the only advantage which made low freight possible.

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To this explosive situation came Lord Wellesley in 1798 as the Governor General of Bengal in succession to Sir John Shore. He had an ability matched only by his ambition, a vision which saw through the haze of ignorant goodwill and unrealistic prejudices, a drive that cut through conflicting interests as a knife through cheese and a single minded zeal which brooked no baffling obstacles. He had also his share of human vices - impetuosity, arrogance and a cold aristocratic aloofness which refused to see the other man's point or hold back for the price which others had to pay for his decisions. During his apprenticeship at the Board of Control 1795-97, he came into close contact with David Scott and Henry Dundas and before he left for India he had imbibed the former's liberal views on trade and the latter's forward policy which in ultimate analysis appeared to him complementary. Indeed, Dundas, a pragmatic politician, found his ideal of an interdependent empire, heightened since the beginning of the war, force him more

(1) Court to G.G. in C. 25 May 1798

and more to take a stand against rigid monopoly and Scott, a hard-headed merchant, found his free trade doctrines, whetted by phenomenal industrial progress since the nineties, force him more and more to take up the cause of imperial expansion. To Wellesley, who had undergone such orientation, the realities of the Indian situation in the end of the eighteenth century urged with greater vehemence the immediate adoption of a liberal trade policy if the imperial dream was to be fulfilled. In his inflamed vision the mercantile interests of the Company appeared trivial and tiresome while its sovereign character loomed large as the grand arbiter of India's destiny, thrown up on the vortex of history, which submerged for ever in a fell sweep the greatness and the menace of the French empire. He only asked of the Company, his countrymen and the Providence the proud privilege of being the supreme architect of this abiding glory and not to sink into oblivion - an inspired administrator like Shore. He found to his chagrin a hostile Court, now thoroughly alarmed and aroused, fighting with its back to the wall every sign of the new heresy that prophesied and tried to procure its downfall. In this conflict of character and temperament, ideas and interests, there was no respite until one party was broken.

On his way out Wellesley got a letter from Scott recommending William Fairlie for information and advice on all commercial matters, for

"I suppose no English House in India has such extensive concerns as Mr. Fairlie's".(1) Concerned himself in putting through, with the help of Pitt, the Warehousing Bill, Scott entrusted to Wellesley the task of encouraging exports from Bengal which would bring out the full benefit of the proposed Act: "I hope your Lordship will prevent the merchants in India having reason in future to complain for want of tonnage on low terms to carry the produce of the East to Britain". As the Company's investment had been reduced due to financial embarassment, "we should endeavour to encourage the merchants to take off the superabundant produce which must arise in proportion to that reduction,"(2) and which might in absence of any arrangement leave through clandestine channels reported to amount to 20,000 tons in Bengal alone.(3)

Bemgal finances in 1798: The financial embarassment, referred to in the letter of Scott, was indeed very grave.(4) Allowing for a supply of one crore of rupees to Madras and Bombay in 1798-99, the total deficiency in India came up to S.R. 2,13,81,321. While the sums applicable to investment in the last two years amounted to S.R. 81,43,858 and S.R. 96,44,550 respectively, the actual investments rose to C.R. 2,30,70,125 and C.R. 2,65,45,040. Since the sale of import goods and certificates

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(1) Scott to Wellesley 2 January 1798 Add. MSS. 37,262 f. 9.
(2) Scott to Wellesley 4 April 1798, ibid, ff. 15-16.
(3) Walter Ewer to Dundas 24 February 1798 Home Misc. 438, pp. 277-79.
(4) Wellesley's Minute of 12 June 1798. Secret Proceedings of 20 June 1798 and G.G. in C. to Court (Political) 3 July 1798.

in the same years amounted to C.R. 38,19,380 and C.R. 58,28,330 and bills drawn on the Court fetched C.R. 79,88,699 and C.R. 32,87,203, the remainder must have come from loans. Bengal's deficiency would be about S.R. 1,28,68,360 and its debt bearing interest stood at C.R. 6,07,43,580. Moreover war with Mysore seemed to be in the offing. On his landing in India, 26 April 1798, Wellesley had learnt of the negotiations of Tipu with France and her dependancy Mauritius.(1) Preparations were at once set on foot (as early as June 1798) and troops were ordered to take the field in Madras and Bombay when he heard of Bonaparte's landing in Egypt on 18 October. Money on account of the sinking fund(2) was not available in Bengal even at so favourable a rate as 2s 6d. per sicca rupee payable twelve months after date. There were thus two alternatives before the Government - reduction of the investment or large scale borrowing on less favourable terms. Since the former would be unpalatable Wellesley proposed a decennial loan at 10% which the Court could postpone two years more. It was no doubt much more unfavourable than the short term 12% loans but must be accepted in the present situation of the money market. Over and above this the Court should assist the depleted resources of Bengal with

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(1) Montgomery Martin Ed. Wellesley Despatches Vol. I, p. 213.
(2) A sinking fund was established in Bengal in 1798 per Secret Letter from Bengal 16 March 1798. It was proposed to raise a fund for payment of existing debts by selling bills drawn on Court quarterly for S.R. 3,25,000(or S.R. 13,00,000 per year).

regular and liberal export of bullion.

Inspite of this loan, however, and acceptance of the discredited 12% paper on par as subscriptions, the latter showed in October 1798 a discount of $\frac{3}{4}$ to $1\frac{1}{4}$% while 8% notes showed a discount of 17 to 18% and 6% notes of $24\frac{3}{4}$ to $25\frac{3}{4}$%.(1) To give Madras and Bombay greater relief investments had to be cut down and bullion for China withheld.(2) To protect opium revenue, poppy cultivation in Bengal was destroyed and 1855 chests of that drug were burnt(3) while to protect land revenue, greater power of distraint was granted to the zemindars.(4)

[Fourth Mysore War and Wellesley's first challenge.]

But all this failed to dyke the high tide of war expenditure. Undaunted, the Governor General wrote, "It would have been a most improvident and mistaken economy to have hazarded the permanent safety of the British empire in India, and to have abandoned the sources of your commercial prosperity without defence to the attack of the enemy, for the purpose of preserving a spacious and delusive appearance of security in a conjuncture of real danger."(5) Desperately in need of funds for War, he reduced the sight of bills on the Court from 12 months to 2 months, fixed the rate of exchange at 2s 6d the sicca rupee, permitted individual merchants to supply the Cape of Good Hope

(1) G.G. in C. to Court (Political) 1 October 1798.
(2) G.G. in C. to Court (Political) 3 October 1798 also G.G. in C. to Court (Public) 2 September 1799.
(3) G.G. in C. to Court (Separate) 29 September 1798.
(4) Regulation VII of 1799. G.G. in C. to Court (Revenue) 23 September 1798.
(5) Wellesley to Court 21 November 1798.

and Messers Fairlie and Co. to export cotton to England on their own ships (1) and finally, not only reduced the Bengal investment to C.R. 87,76,848 (and Indian investment to £1,507,124) but allowed individuals to send goods to England in their own ships above 12000 tons (besides the five vessels licensed to proceed to Cape) in the manner observed by Shore regarding the Caledonia and the Warren Hastings and since forbidden by the Court. (2)

This last act was differently viewed by the Court and the Board. The former had insisted on large investments for a long time. Sending specie to India for the first time since the Third Mysore War (about £759,226) Jacob Bosanquet, the Chairman of the Court, wrote to Wellesley in 1798, "they will enable you, whatever temporary difficulties you may get into, to keep up the course of your returns for this country, as you will recollect that such returns are a necessary part of our existence." (3) Hugh Inglis reiterated next year the same sentiment about investment "without which we cannot keep the machine in motion." (4) Inspite of large sales at India House, the Company had been in distress since 1796 for three principal causes - "the increase of commerce - the increase

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(1) G.G. in C. to Court (Comm[l]) 31 July 1798. This was the result of agitation by Cotton manufacturers. See Sir Robert Peel to the Committee of the Court November 1797 App. IV to Thomas Henchman op.cit.

(2) Bengal Commercial Consultations 1 October 1798. The order of the Government was issued on 5 October.

(3) Bosanquet to Wellesley 19 September 1798 Add MSS. 37,278 f. 51.

(4) Hugh Inglis to Wellesley 3 June 1799 ibid f. 60.

of war freights - and the decrease of funds in consequence of the inefficiency of Bonds", [1] besides the Bank of England's demand for repayment of £700,000. The Company was allowed to raise two million pounds in capital but preferred to ask the Government for repayment of expenses incurred on account of expeditions against the French in and outside India. [2] Under such circumstances the only sure resource was investment.

The Government, however, sharing the same view about investment, differed with regard to the means of purchase. Pitt replied his inability to repay and insisted on immediate export of arms and silver to India. [3] Dundas sarcastically referred to yearly investments of three and a half millions while the territorial surplus did not exceed a mere half. [4] Not satisfied with irony, he wrote to Wellesley to see to the reduction of debt "which the mixt exigencies of war and commerce had created" and which not only exhausted the whole surplus in war but threatened the operation of the

(1) Chairs to Dundas 20 October 1796. Home Misc. 208 p. 292.

Yr.	Sale at India House	Freight paid
1795-96	£ 6,528,969	£1,275,516
1796-97	£6,153,310	£1,496,414
1797-98	£4,718,822	£1,396,927
1798-99	£8,337,066	£1,708,540.

(2) Hugh Inglis to Dundas 27 September 1797 ibid pp. 296-97.

(3) Pitt to Chairman 26 August 1798 ibid pp. 299-300.

(4) Dundas to Chairman 8 April 1799 ibid pp. 312-13.

sinking fund i.e. Government credit, after the return of peace. Dundas did not fall a prey to the Court's "flattering delusion" of large sales[1] but still he considered large investments imperative provided they were bought with Company's own home resources. Export of bullion to India, as demanded by Wellesley, had become supremely urgent. It would alleviate scarcity of capital and, bringing down the rate of interest, assist public and private credit. Once the loans at high interest were stopped the capital of the debt itself could be considerably diminished through the remittance plan which had now dwindled to insignificance as money could be invested for much higher remuneration in public securities. Even then, capital of the Company would not be big enough to embrace more than half the produce of India as had been proved by the trade of neutral nations in recent years.[2] To bring the whole trade to the Thames there were two ways - diminution of duties and charges, which the Warehousing Act proposed, and authorising the Government of India "to license the appropriation of India-built shipping to the purpose of bringing home that Indian trade, which the means and capital of the East India Company is unable to bring home." Dundas was considering the eligibility of the second measure since 1797 and now

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(1) Thomas Graham, a Senior member of the Board of Revenue and later of the Council in Bengal warned Dundas of the bad effect on public debt of large investments as early as 1793. Graham to Dundas 20 December 1793 Home Misc. 437 p. 113.

(2) See Dundas's budget speech of 12 March 1799 Heads of Mr. Dundas's Budget Speeches op.cit.

that Wellesley had adopted it, though "the whole weight of the shipping interest will be opposed to such a proposition, under a most false and erroneous idea that it is prejudicial to their interest," he (Wellesley) "need not be under any apprehension as to the result of it."(1)

Here it must be said that though Dundas affirmed and re-affirmed his concurrence on the subject of India-built shipping(2) and even promised full support of the Government in case Wellesley liked to continue the policy of sending India-built ships,(3) he also stuck to his other position regarding reduction of the India debt. Considering the permanent settlement of land revenue in Bengal and the double government in the Carnatic, Tanjore, the Northern Circars and Oudh as the most baffling obstacles before improvement of resources, Dundas supported Wellesley's policy of subsidiary alliance(4) and, considering the French menace, his Mysore War but he would not allow augmentation of debt or use of additional revenues of the conquered Mysore for investment.(5) He supported the Court of Directors - "in the proposition of not diverting....for the purpose of war the specie sent out from the country for the

(1) Dundas to Wellesley 18 March 1799. Owen, A Selection from the despatches, treaties and other papers of the Marquess Wellesley etc. pp. 696-701.

(2) Dundas to Wellesley 21 March 1799 Add. MSS. 37,274 f. 142. Dundas to Wellesley 14 June 1799 ibid f. 224.

(3) Dundas to Wellesley 23 July 1799 ibid f. 229.

(4) Dundas to Wellesley 1 November 1799 ibid f. 309 and 18 July 1800 ibid f. 110.

(5) Dundas to Wellesley 10 October 1799 ibid f. 264.

purpose of commerce."(1) In attempting the impossible task of striking an equilibrium between the commercial calculations of the Court and the imperialist strategy of Wellesley, Dundas even contradicted himself - "if the revenues of India are not adequate to the purposes of war, when we are engaged in war, the Government must find the remainder in the same way as it has any other of its military expenses."(2) This desperate advice ran exactly counter to his policy of debt reduction.

The Court attacks Scott

David Scott supported Wellesley's policy for very much the same grounds: "Between your practice in encouraging such an import of wealth by those ships, and the Bill (Warehousing Bill) in question becoming an Act of Parliament, the intercourse between the East and this country will put on a new face"....(3) This was written by Scott in the midst of answering charges, put forward by the Shipping Interest, of his and his firm's complicity in clandestine trade between Denmark and Batavia, Manilla and Bengal and even of giving out state secrets to the enemy. The charges were ably refuted by Scott himself in his speech at the India House on 20 March 1799,(4) and Professor Philips thinks the decisions of the Directors and Proprietors to acquit him were just.(5) But the fact

(1) Dundas to Wellesley 23 July 1799 op.cit.

(2) ibid

(3) Scott to Wellesley 19 April 1799 Add.MSS. 37,282 f.85.

(4) The Asiatic Annual Register Vol. I. 1799, pp. 151-52.

(5) C.H. Philips, The East India Company 1784-1837 op.cit. p. 99.

that some of the agency houses in England in conjunction with some of the agency houses in Bengal were carrying on a large scale illicit trade between Copenhagen and the enemy territories came out irresistibly. The Helsingoer or its cargoes might not have belonged to David Scott Junior & Co. and Scott Senior certainly did not give information to Captain Murray about the capture of Manilla but that Fairlie, Gilmore & Co. had been trading between Batavia and Europe under Danish colour and Duntzfeldt & Co. of Copenhagen traded with Manilla were proved. For both David Scott Junior & Co. did agency business in London. Duntzfeldt, an old Bengal merchant, was a friend of Fergusson who was a former partner of David Scott and him Scott and Lennox had helped when his ship, the Amalienbugh, was captured by the navy in 1797.[1] William Fairlie still had an equal share with William Lennox, one of the trustees for David Scott Junior & Co.[2] Scott recognised the exertions of Fairlie for his House,[3] did everything to help him out of his distress during the indigo crisis,[4] recommended him to Wellesley and, even after the charges had been levelled, sent him a list from which to choose future partners in view of "the close connection and the inter-woven

(1) Scott to Dundas 10 June 1797. C.H. Philips (Ed.) The Correspondence of David Scott op.cit. p. 104.
(2) Scott to Hercules Ross 1 May 1796 ibid. p. 70.
(3) Scott to William Fairlie 14 July 1797 ibid. p. 109.
(4) See above.

interests and future prospects of these two Houses."[1] He even admitted that he was a partner of Fairlie & Co. - though a sleeping partner - and though he believed William Fairlie "had no interest in any of the Batavia ships, and had acted in no respect except as agents to the Danes", [redacted] he talked of pushing through indemnity acts to condone the agency houses guilty of the Traitorous Correspondence Act.[2]

A second fact emerged also. Behind the precipitate fabrication of the Charges, the unjust mode of accusation and the unseemly prosecution proceedings, the hand of the Shipping Interest - Elphinstone and Cotton - were clearly perceived. They began the conspiracy in Secret Committee as early as 3 March 1799,[3] egged on Jacob Bosanquet, the Chairman (who belonged to the City interest and was drawn into this affair because of his intense jealousy of Scott's influence with the Government) and through their henchman, Twining, tried their best to procure at least a Bill of Discovery against the House of David Scott Junior & Co.[4]

The protagonists of private trade interest rallied to David Scott's cause for they found in its defeat their own undoing. Thomas Henchman, Randle Jackson, Alderman Lushington and Peter Moore defended him stoutly in the General Court debates of 20 March, 19 June

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(1) Scott to William Fairlie 19 April 1799 ibid p. 178.
(2) Scott to William Fairlie 11 July 1799 ibid p. 204
(3) John Cochrane to Dundas 3 March 1799 and 10 March 1799 Home Misc. 405 pp. 1-18.
(4) <u>The Asiatic Annual Register.</u> op.cit. p. 160.

and 28 June and saved the house from a Bill of Discovery. Scott took the offensive without delay and pushed through the Parliament a bill for regulating the manner in which the Company should hire and take up ships for the regular service.(1) Peter Moore brought a motion in the General Court for concerting with the India Commissioners the best plan for bringing all commerce of British India into the port of London as the arrangement under 33 Geo. III Cap. 61 had failed. The general demand was that British ships should be put on an equal footing with foreigners so far as the residue of the Indian trade was concerned. When Elphinstone asserted that the present Act gave sufficient tonnage, Sir William Pulteney challenged it with statistics of clandestine trade.(2) The battle between monopoly and private trade was full on - precipitated by the wild attack of the Shipping Interest on David Scott. The next round was to be fought over Wellesley's policy of sending India-built shipping. Balked of its prey, the Shipping Interest turned to its recalcitrant Governor General for vengeance as the private trade interest turned to him for relief.

After doing its best to send more than a million pounds of specie to India in 1798-99 and about a million pounds in 1799-1800

(1) Scott to Wellesley 19 April 1799. C.H. Philips The Correspondence of David Scott op. cit. p. 186. It later passed as Act 39 Geo. III Chap. 89.

(2) The Asiatic Annual Register op.cit. pp. 183-87. Debate of 5 July. Also Scott to Wellesley 9 July 1799 Add. MSS, 37,282 f. 111. Peter Moore to Lord Macartney - 11 July 1799 Home Misc. 405 p. 242.

the Court was astonished to find regular ships coming home half full.(1) Even Scott complained, for, the purpose of increasing the cargoes of Indiamen to 17 lakhs each was to save on freight and insurance.(2) Though the Supreme Government has refrained from sending country ships in 1799 per order of the Court of 25 May 1798,(3) the financial account it gave in January 1800(4) was far from pleasing inspite of the resounding victory over Tipu Sultan on 4 May 1799. The account showed an ordinary deficit of about 84 lakhs in 1798-99 and estimated an ordinary surplus of 9 lakhs only for the next year. Adding extraordinary receipts and deducting extraordinary disbursements, the total deficit reached the fabulous sum of S.R. 2,77,40,801 in 1798-99 of which S.R. 2,18,30,396 had been raised by loans, S.R. 1,34,24,360 in Bengal alone. Next year the estimated total deficit would be well nigh four crores, three of which were to be borrowed in Bengal.(5) Wellesley ~~had~~ ended with the usual plea for more gold which would ease public credit and enable the Company to secure the produce of

(1) Hugh Inglis to Wellesley 27 September 1799 Add. MSS. 38,409 f. 63. Court to G.G. in C. (Comm[l]) 31 October 1799.

(2) Scott to Wellesley 15 April 1800. Add. MSS. 37,278 f. 72.

(3) Except the ship Caledonia of Messers Fairlie & Co. G.G. in C. to Court (Comm[l]) 2 September 1799. Proceedings of Bengal Board of Trade 12 November 1799.

(4) G.G. in C. to Court (General) 23 January 1800.

(5) This was Bengal's fate even when she had produced in 1798-99 a clear surplus of S.R. 1,78,38,414.

India to the exclusion of other foreigners. He had warned the Chairman earlier "that the exports of Portugal from Bengal in the year will nearly equal those of the Company," hoping he would "draw the natural conclusion from this fact."(1)

It is in such circumstances that Dundas again found it necessary to explain his position with regard to debt to Wellesley and his position with regard to India shipping to the Court. He seemed to have considered the huge debt for Mysore war "necessary" and justified on grounds of policy. The French menace had been uppermost in his mind since he took over the control of Indian affairs and he was prepared to pay the price for their elimination from the Indian scene. But he felt himself constrained to caution Wellesley about debt in view of a future emergency like this when even loans at extravagant rates of interest might not enable the Government to manoeuvre for credit.(2) He was pained at the insignificant surplus estimated for 1799-1800. India was to be "a source of great annual addition to the wealth and capital of this country instead of . . . . . a large provision for great numbers of

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(1) Wellesley to Chairman. 29 November 1799.

(2) Dundas to Wellesley 10 October 1799 Add MSS. 37,274 f. 264.

Increase of debt in Bengal and India

Year	Bengal	India
on 30 April 1798	C.R. 7,67,30,178	C.R. 11,03,26,452
on " " 1799	C.R. 9,21,86,617	C.R. 12,99,55,259

civil and military servants existing upon its establishments."[1] To the Court he gave an assurance[2] that he was not challenging the claims of regular ships to carry the Company's regular trade, that he was still unconvinced of the arguments for abolition of monopoly and "the supposed advantages thence arising are at least problematical, and would certainly be very precarious and short-lived", that he was against investment of private British capital in India which "would be introducing a rival capital in India against the Remittance trade of the East India Company" and that he thought little of the prospects of export trade to India. But, then, he considered the arrangements for supplying tonnage to private merchants of India, made in 1793, had been rendered innocuous by the Company's policy. He did not object to, he had even facilitated neutral trade with India but "nothing certainly can be more just and natural than that those nations who traded to India, should trade there on their own capitals." He had found them trading with British capital and aiding France through the ports of Holland, Hamburgh and Copenhagen. Not only on account of enriching Britain with the fortunes of the British but also to destroy "the colonial resources of our enemies," and to add "proportionally to our commercial resources, which are, and ever must be, the sole basis of our maratime (sic) strength",[3] trade on

(1) Dundas to Wellesley 11 July 1800. Add. MSS. 37,275 f. 100.
(2) Dundas to ~~the~~ Court 2 April 1800. Paper No. 122. Vol. 7 of Parliamentary Papers, House of Commons of 1801
(3) Dundas to Wellesley 31 October 1799. Ad. MSS, 37,274 f. 312.

British capital must be brought to England - for which either the British merchants themselves or their agents under the control of the East India Company should be allowed to bring the surplus produce of India in India-built shipping.

Dundas had supported Wellesley's policy on India-built shipping from the beginning and he now assured Wellesley of the favourable outcome of his letter to the Court, hoping that Wellesley had already acted upon the principles laid down in his former correspondence on that topic.(1) Meanwhile, deprived of the right given to them by Wellesley in 1798, the ship-owners and merchants of Bengal were agitating for some such action. Out of twenty six ships - all but two of which had been built at Calcutta - and six building, which according to the Board of Trade were prepared to go to London in 1799, Messers. Fairlie, Gilmore and Co. owned or managed six, Lambert & Ross owned five, Hudson Bacon & Co. owned two and the house of Aberdeen two.(2) Mr. Fairlie, having in hand an immense quantity of sugar, piece goods and silk, wanted for the agents "a fixed permission without which they could not act in freedom."(3) and considered the Government's negative attitude"...... as indeed perverse to an extreme and really is creating trouble for themselves".(4)

(1) Dundas to Wellesley 27 June 1800 Add. MSS. 37,275 f. 6.
(2) Board of Trade to Wellesley 24 December 1799 Home Misc. 405 pp. 590-91.
(3) William Fairlie to William Lennox 16 November 1799 ibid. pp. 637-38.
(4) William Fairlie to William Lennox 7 December 1799 ibid p. 635. Fairlie could have been well impatient. Price of East India sugar had risen from 60 to 70s. per cwt. in 1793-4 to 96 to 115s in 1798-99. Macpherson op.cit. p. 232, pp. 523-24.

Goods of the individuals exceeded 10,000 tons and the foreign competition had raised the price of Indian produce.[1] William Lennox wrote to Dundas that, in consequence, all private trade was "going into the hands of the Americans who were powerfully supported by most eminent houses in London" and would surely be captured by foreigners and Englishmen domiciled in foreign ports with the return of peace.[2] The agitation in England and India by the agency houses had two results. Dundas urged the Court again to settle matters regarding trade and finance for, "if we are remiss, other nations neither are, nor will be so", and Wellesley sent India-built shipping again. These ships sailed at a low freight, out of season, and loaded and unloaded more quickly than the Company's ships - thus demonstrating fully the truth of their claims.[3]

llesley's ond llenge.

In 1799-1800 Wellesley had obeyed the Court's order, sending private goods on six chartered ships on the Company's terms (Order of 25 May 1798) at £22. 10 per ton but he had notified the disinclination of both merchants and ship-owners to tender unconditionally as the freight fell heavily on gruff goods like sugar which alone had a profitable sale in England. The fear of combination among ship-owners was baseless since most of them were also merchants

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(1) James Alexander to Edmund Boehm & Co. 19 May 1800 ibid p. 649.

(2) William Lennox to Dundas 27 June 1800 ibid pp. 655-56. William Lennox was the manager of David Scott Junior and Co and Dundas's informant on Indian trade.

(3) C.N. Parkinson. Trade in the Eastern Seas 1793-1813 Cambridge 1937 p. 363.

as well as agents for merchants and were interested in procuring freight on cheap terms.(1) On 9 March he reiterated the expediency of sending India-built shipping, according to his order of 5 October 1798, for the goods on the market were leaving by foreign channels. No reply came to either of these letters. In September Udney of the Bengal Board of Trade reported that not even one-fourth of the funds with which the Americans purchased their investments in 1799-1800, worth S.R. 37,87,937, came from America. In 1798-99, when private merchants had been allowed to arrange with the ship-owners, the Americans had to import more than they exported for the first time since 1795-96, while in the very next year, due to withdrawal of Wellesley's liberal policy, their exports had again exceeded imports. He even favoured import of British capital in India which would relieve the money market and help the British to oust all foreigners from India's foreign trade.(2)

(1) G.G. in C. to Court (Comm[l]) 1 March 1800.
(2) G. Udney to Wellesley 15 September 1800. Home Misc. 406 p. 298. See Bengal Commercial Reports of 1798-99 and 1799-1800.

CALCUTTA - UNITED STATES (PRIVATE)

Year	Imports S.R.	Exports S.R.
1798-99	13,40,572	11,89,542
1799-1800	35,24,614	37,87,937

Trade with Lisbon and Hamburg also showed the same tendency one year later.

CALCUTTA - LISBON

Year	Imports S.R.	Exports S.R.
1798-99	2,04,182	4,40,880
1799-1800	46,56,391	33,44,435
1800-1801	9,69,319	20,57,936

CALCUTTA - HAMBURG

Year	Imports S.R.	Exports S.R.
1798-99	2,18,943	5,91,173
1799-1800	72,333	61,582

A very interesting conflict now developed in the Bengal administration. While Udney [redacted] and Myers, the Accountant General, supported the cause of private trade, John Bebb of the Board of Trade, at first in Wellesley's good books, went over to the other side on receiving inspiration from Leadenhall Street. He quarreled with Fairlie and the private merchants and even went so far as to ask the Court to send bullion directly to the Board of Trade so that it could be applied for investments without fail. Wellesley "attempted to steer a middle course, but experience has proved that my first track was the most safe."[1] With his conviction unaltered regarding the expediency and justice of his plan of 5 October 1798 and in view of the shortage of tonnage in 1800[2] - he asked for a speedy reply on this matter.[3] Apart from the usual arguments for the use of India built shipping, he introduced a new factor in the controversy by courageously advocating investment of capital from England. . . . "to augment the produce and manufacturers of your dominions to the full extent of any possible demand", specially when such capital had been financing the Portugese, the American and the Danish trade. Finally as no specie had arrived, the investment of 1800 was reduced, a second decennial loan at 10% was floated - and, by an Order in Council of 19 September

(1) Wellesley to Scott. 4 October 1800 Add. MSS. 37,282 f. 188.
(2) G.G. in C. to Court (Comml) 13 September 1800
(3) Wellesley to Court 30 September 1800.

1800, export of private goods was allowed in country ships on the basis of 1798.[1]

The state of public finance forced Wellesley to take the same course in 1801. Salt sales were falling and the average price of opium was coming down.[2] Debt had increased by about two crores in the previous year and its burden, aggravated by the disadvantageous terms of the late loans, amounted to another crore per year.[3] Public securities, improving after the success in the Fourth Mysore War, suffered a set back.[4] Notwithstanding many heavy liabilities the Government had to bear the expences of an abortive expedition against Batavia and to finance Baird's expedition to the Red Sea to drive off the French from Suez and Kosseir.[5] To raise money it

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(1) G.G. in C. to Court (Public) 16 February 1801.
(2) G.G. in C. to Court (Separate) 16 February 1801
(3) G.G. in C. to Secret Committee 9 April 1801.
(4) Public Securities on 30 April 1800.

6%	8%	10%	12%
Discount	Discount	Premium	in course of payment
12½%	2¾%	9½%	

(5) There was a good deal of vacillation on the part of Wellesley in deciding the destination of the naval attack. At first he considered an expedition against ~~the~~ Mauritius, then against Batavia and back again against ~~the~~ Mauritius. Dundas relieved him of this dilemma by calling forth an expedition to the Red Sea. C.N. Parkinson, War in the Eastern Seas 1793-1895 George Allen Unwin, 1954 pp. 166-70.

issued treasury bills to the extent of a crore of rupees at 12% and advertised for a new loan. But as the latter had little possibility of supplying such a great deficiency, it reduced investment again. Considering, however, the danger of withholding advances, which would affect manufacture and ultimately land revenue in a country where agriculture and manufacture were pursued by the same people. "....it has appeared to be necessary to afford in the present season every possible encouragement to the private merchant in order that he may be enabled to supply the place of the Company in the market, and to furnish that support to the manufacture which for the present season cannot proceed from the Company's funds". This Wellesley did ~~had done~~ by allowing the system of 1798, revived in 1800, to be repeated in 1801-02.(1)

To sum up, several things entered at once into this defiant decision of Lord Wellesley - political and economic conditions in India as affected by the Anglo-French wars, the Court's inability to send specie in large quantity or in time, strong support and even positive encouragement given by Dundas and Scott, and finally the dictates of his own liberal views and his own imperial design - sustained against wise Counsel or interested motive by a proud unbending temperament. We have observed the exorbitant demand of war on India's public finance. Wellesley was absolutely right in asking for aid from London. But the Court must be absolved from the

(1) G.G. in C. to Secret Committee 9 April 1801 op.cit.

charge of intentional delays or stoppages in export of specie or of niggardliness. The Court appreciated the need of bullion export even by borrowing.(1) Between March 1798 and March 1800 over £2,500,000 in bullion was borrowed and sent.(2) The delays were caused by war or difficulties in obtaining dollars. The exigencies of the State sometimes deprived it of the supply.(3) We have dwelt on the encouragement given by Dundas. Scott was equally responsible. As early as July 1799 he talked of his and Dundas's plan of obtaining Parliamentary sanction for India built shipping and hoped "that as much as the Company's investment for want of resources is reduced will be at least made up by the country ship's imports."(4) He urged again in the beginning of 1800, when he learnt Wellesley's policy had been discontinued in 1799 during his absence from the centre of government, "I hope on your arrival you'll put all to rights; whatever you do will be approved."(5) When a second indigo-crisis began in the same year and extreme scarcity of food was apprehended in England, Scott again tried to persuade Pitt and Wellesley that nothing short of permission to India built ships

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(1) Scott to Wellesley 19 April 1799 Add MSS. 37,282 f. 85.
(2) Parl. Hist. XXXV p. 12. 25 March 1800.
(3) Hugh Inglis to Wellesley 15 June 1800. Add MSS. 28,409 f. 74. Bosanquet to Wellesley 29 May 1801 ibid f. 85. Scott to Wellesley 9 January 1801 Add.MSS. 37,278 f. 188.
(4) Scott to Wellesley. 9 July 1799. C.H. Philips. The correspondence of David Scott op.cit. p. 199.
(5) Scott to Wellesley 5 March 1800 ibid Vol. II p. 236.

would induce merchants to bring such goods.(1) Wellesley, moreover, had to do something for the people on whose moral and financial support he relied for the execution of his imperialist design. The agency houses supported war in their own interest. It would give them plenty of contracts, alleviate scarcity of money through enforced imports of bullion and open up prospects for investment at high rate of interest. In return for this support they wanted facilities for remittance in their own ships which could also become a medium of import of much-needed capital from England. Wellesley could not deny them this advantage specially when he found the diminution of the Company's demand would effect Indian manufacture and even revenues. Above all was the characteristic arrogance of an aristrocrat - deeply stirred by the intrigues between John Bebb and the Court - "I am a dreadful tyrant," he wrote, "arbitrarily jealous of power, sovereign Lord and Master, and impatient of all control in India, excepting that of my own sense of right and wrong."(2) In the same vein he replied to Dundas's complaint that he was using commercial funds for military purposes. "Do you really mean that in the event of sudden war, the government in India is not (like any other government in the World) to consider the

(1) Scott to Wellesley 15 July 1800 ibid p. 278.
(2) Wellesley to Scott, 4 October 1800 Add. MSS. 37,282 f. 188.

security of its military resources as the paramount object of its attention? . . . Indeed this doctrine would lead to a state of warfare between the sovereign and mercantile characters of the Company, and I must say that it more resembles the maxims of a merchant, than those which become a Sovereign."(1) When Dundas importuned him to cut down European infantry, the cost of which hung like a millstone round the neck of Indian finance, as unnecessary after the Mysore War, Wellesley begged him "not to suffer a fallacious and illusory clamour for investment to impair the foundations of the empire in the very crisis from fortunes in the East."(2) and to look at the credit side of the balance sheet.(3) He not only gave a lame excuse of why he sent regular ships half-filled(4)

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(1) Wellesley to Dundas 25 January 1800 Add. MSS. 37,275, ff. 12-13.
(2) Wellesley to Dundas 12 November 1800 ibid f. 230.
(3) Wellesley to Dundas 13 November 1800 ibidff. 233-35.
(4) Wellesley referred to a fall of prices when indeed they were rising.

Articles	1795-96	1799-1800	1801-1802
	S.R. A S.R.A.	S.R. A S.R. A	S.R.A. S.R. A.
Benares Sugar per md.	7 - 8 to 8 - 8	7 - to 9 ---	7 - 4 to 8 ---
Cossinbazar silk per ser.	6 - 4 to 6 -12	7 - to 7 - 8	6 - 8 to 8 - 8
Benares Cotton per md.	14 - to 17 -	15 - to 28-...	15- 8 to 20 ---
Buckergunge rice per md.	- 12 to 1 - 2 -	- 12 to 1 - 1	1 -- to 1 - 3

but resoundingly declared that he would help all British merchants "because I feel that the public interest is deeply involved in theirs."(1) Wellesley had turned an embarassing disciple to his erstwhile teachers.

The Court's Response: Brought to bay by Dundas's insistence on a debt policy and Wellesley's intransigence regarding country ships, the growing evidence of clandestine trade and repeated appeals of British merchants for permission to take out smaller ships to India,(2) the Court answered the charges in a series of reports of the Special Committee appointed to consider Dundas's letters of 2 April and 28 June 1800 and 21 March 1801(3) and Wellesley's letter of 30 September 1800. The first report came out on 27 January 1801 and the second on 2 April 1801.(4) Both were written by Charles Grant who, meanwhile, was trying to persuade Dundas to his views on the question by a voluminous pamphlet written in July 1800(5) and two letters - one in the same month(6) and the other on 17 March 1801.

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(1) Wellesley to Dundas 13 November 1800. op.cit.
(2) Memorial of Merchants of Exeter and Glasgow manufacturers 11 May 1799. Home Misc. 405 p. 25.
Memorial of Merchants of London to Court 31 March 1800 ibid pp. 619-21
Letter of William and Horsley Palmer Home Misc. 406 pp. 221-23. There was a short trade depression in the late months of 1799. Rapid increase of the tonnage of British shipping caused a pressure for employment in the Indian waters.
(3) Dundas advised in this letter to make concessions on the Company's own initiative and disarm the opposition.
(4) The Asiatic Annual Register vols. 2 and 3.
(5) Home Misc. 405 pp. 691 - 858.
(6) ibid pp. 687 - 88.

Charles Grant was fighting Adam Smith in his 'Observations' while his reports fought with his living exponents - David Scott and Wellesley. The researches of Dr. Furber have laid bare the early career of this redoubtable gentleman (1) - who was, from now on till his death in November 1823, the most influential member of the Court and the most ardent champion of the cause of monopoly and moral upliftment of the heathen Indians. Admiring "the goodness of God that has given me power to get wealth" in clandestine silk and piece goods contract, when Resident at Malda, he had managed to become the Commercial Adviser of Cornwallis (2) and, after his retirement, had entered the Direction in 1793 in the wake of David Scott as the enemy of the shipping interest with the Ministry's support. (3) He had loyally supported Scott in all his conflicts over the question of fair and open competition but, when, in the middle of 1798, the controversy turned on the superior advantages of small ships and the Court viewed it as an attempt to introduce India built shipping, Grant got worried about the intensity of feelings aroused in the majority of the Court. (4) With a pardonable ambition for the Chairmanship, which he could not hope to carry

(1) H. Furber. John Company at Work op.cit. App. A. p. 337
(2) C.H. Philips. The East India Company op.cit. p. 69.
(3) ibid p. 84.
(4) Grant to Scott 25 August 1798. C.H. Philips. The Correspondence of David Scott op.cit. vol. 1. pp. 146-48.

without the help of the shipping interest, Grant began to persuade himself of the dangers inherent in Dundas's letters and the logical pursuit of Scott's plans. Wellesley's actions brought him off his fence but still he did not openly avow the cause of the reactionaries.[1]

The 'Observations' contained the arguments with which he ~~persuaded himself to his own position and~~ tried to save Dundas from the culmination of his ~~dangerous~~ policy in colonisation of India and her ultimate defection like the American colonies from the Mother Country. He challenged the false claim of the British subjects in India that the Charter of 1793 gave them freedom of trade as the foreigners enjoyed. Ship-building by individuals was not warranted by the Act but "when ships were built a necessity was created of employing them." The tonnage was granted to private merchants for conveyance of their fortunes and the average excess of exports over imports to London on private account, amounting to one million sterling, was sufficient for this purpose if bills averaging £514,238 per year for the last five years be added to it. If there were still surplus goods in India and they were sent through foreign or illicit channels, capital engaged in purchasing them must have been sent from England, Europe or America and the Company could hardly be held responsible for its remittance. Grant also challenged the

(1) Grant to Wellesley 14 September 1801 and Grant to John Bebb 4 June 1799. Montgomery Martin (Ed.). Wellesley Despatches, op.cit. ~~op.cit~~. vol. 5. pp. 138-140 and p. 143.

contention that the Americans had engrossed all exports from the enemy settlements and half of all bonafide neutral exports - their share was no more than 1/5 to 1/6 of the whole foreign trade of Bengal for which they imported much-needed silver. The Company's share was about half and the individual private trade to London was greater than all clandestine and neutral trade which together had secured a little more than ¼ in the proportion of 26 : 38. Moreover, the exports to foreign Europe and America were progressively dminishing and the balance taken out of Bengal by all neutral and clandestine traders did not amount to 22 lakhs of rupees (1) while that taken by private traders to London averaged at 43 lakhs in the last four years. Free trade in this context would mean competition between two capitals - both British - one from England and the other from India.

Hence admitting the difficulties and inconvenience of private traders, the need for bringing the best part of the clandestine trade to London and even the expediency of using India-built shipping, he was against employing India-built ships for the sake of employing them alone - i.e. for the profit of the owners - who considered ships not as vehicles for carrying Indian exports but as consisting in themselves a profitable employment of capital.

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(1) Put at 25 lakhs in the First Report of the Select Committee.

"As a means I would admit it, as an end, I think it not entitled to encouragement".[1]

The First Report, submitted on 27 January 1801, further rebutted the crucial arguments that there was a surplus the Company could not carry with its resources, that it was possible to increase the produce and manufacture of India and the Company had done nothing on that account or was incapable of doing anything. It was due to the Company's encouragement, the Report reminded, that indigo[2] and sugar had prospered since the days of Cornwallis. Thanks to the speculation of the private traders the market for the former was over-stocked, thanks to the opposition of the West Indies planter, the market for the latter could not grow. The remittance plan for indigo was indeed discontinued in 1795 but ever since the second crisis in 1800, it had been revived.[3] Cotton of India could not succeed in competition with American or West Indies cotton due to war freight and it was being used as the Company's remittance to

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(1) See also the same sentiment in the First Report of the Select Committee: "... and though the merchants of India so often urge the policy of bringing the produce of the East into the Thames, transfer is not the sole end, and the employment of Indian ships merely the means; but in part the transfer is the means, and the ships the end."

(2) Company's advances to indigo manufacturers. App. 47 Suppl. to 4th Report (1812) p. 224.

Year	Amount (£)	Year	Amount (£)
1793	110,389	1796-99	11,226
1794	102,045	1800	116,000
1795	137,148	1801	70,000
		1802	70,000

(3) Scott to Wellesley 5 March, 10 March and 15 July 1800. C. H. Philips (ed.) The Correspondence of David Scott op.cit. p. 236, p. 237 and p. 276.

China. Saltpetre could not be entrusted to the private traders during the war. No further improvement of raw materials was possible in the present state of the Company's finance unless capital was introduced from England which would open the door to colonisation and thus was politically inadvisable. Introduction of Indian shipping would create a new shipping interest and excite a similar demand from the British ship-owners. Finally, calculating the bonafide surplus capital originating in India as £250,000 (remitted neither in trade nor bills), the Company promised to take it off at reasonable freight or to empower the Indian government to send Indian ships under the Company's service.

The Second Report, submitted on 2 April 1801, objected to Wellesley's attempt to create on behalf of the Indian ship-owners a permanent right where before they had a privilege dependent on the Company's discretion. It referred to considerable decrease of neutral export trade and increase of neutral imports, mostly in specie.(1) The foreigners' trade was a trade of contingencies arising from European wars. The return of peace would re-establish the balance again. This must be quickened by reduction of duties in London and a demand for the end of abuse of the Jay Treaty.

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(1) PRIVATE IMPORTS FROM FOREIGN EUROPE AND AMERICA

Years	Merchandise S.R.	Treasure S.R.
1796-97 to 1798-99	34,32,034	45,31,392
1799-1800 to 1801-1802	37,98,576	1,76,96,201

Bengal Commercial Reports.

The reports resulted in the resolutions of 4 February 1801. They were aimed against "systematic admission of any such privileges as would necessarily tend to antiqute the present system of regulated monopoly - without any assurance of equal advantage and safety to the political, financial and commercial interests of the country." The Court offered, in addition to 3000 tons fixed in the Charter, three, four or five thousand tons more or as much as might be required to be wholly applied to private trade, which should neither be destined nor detained for political or warlike services. All commodities except piece goods, raw silk and saltpetre - and even those with a license, should be laden on such ships and sold in the Company's sales. Such ships were to be built by the Company and when they would not be sufficient, the Indian governments should freight Indian ships for conveyance of such goods. No admission of India built ships on Wellesley's basis would be allowed - as they seemed "to involve principles and effects dangerous to the interests of the Company and of the nation."

Dundas did not view the introduction of British capital in India with such alarm though he had opposed the same in his letter of 2 April. If the British capitalists thought they could make good returns from investment in Indian trade, no restriction could prevent it. So long as the Europeans were forbidden to hold land in India the safeguard against colonisation was assured. He even considered a little export of capital necessary to develop Indian raw materials. He doubted whether regulations for remittance from India could be founded either on a standard of tonnage or a supposed amount of fortunes annually trasmitted from India.(1)

The Private Traders response

The avowed protagonists of private trade like Thomas Henchman, John Cochrane and Sir George Dallas replied with greater vigour.(2) Henchman's 'Observations' was regarded as a text book on private trade by Dartmouth(3) and Wellesley considered it to be the best vindication of his policy.(4) In Henchman's opinion Grant's statistics were all wrong. Out of the total foreign exports of Bengal which came up to S.R. 2,59,68,000 in 1799-1800 the Company held only about a crore, far less than half; the legal private trade to London in that year fell below the neutral and clandestine trade by S.R. 24,36,000; instead of the trade of foreign Europeans and Americans being a little more than $\frac{1}{4}$ of total trade, it was a little less than 1/3 and more than half of the total trade on British bottoms. Decrease of foreign trade was questionable considering the number of foreign ships in Calcutta in 1799-1800. Henchman thought

(1) Dundas to Charles Grant 31 July 1800 Home Misc. 405 p. 885.

(2) Thomas Henchman, Observations on the Report of the Directors of the East India Company, respecting the trade between India and Europe. London 1801. John Cochrane, Private Trade and Shipping op.cit. Sir George Dallas, Letter to Sir William Pulteney on the trade between India and Europe. London, 1802.

(3) Dartmouth to Henchman 15 August 1801 Add.MSS. 22,130 f. 25.

(4) Wellesley to Henchman 7 March 1803 ibid f. 40.

the coastal trade, a share of which passed into clandestine channels, should also be reckoned in estimating the trade on British capital.(1)

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(1) CALCUTTA - LONDON (PRIVATE)

Year.	Imports S.R.	Exports S.R.
1798-99	17,43,314	41,07,834
1799-1800	47,37,462	67,91,406
1800-1801	44,72,669	84,87,336

CALCUTTA - AMERICA

Year.	Imports S.R.	Exports S.R.
1798-99	13,40,572	11,89,542
1799-1800	35,24,614	37,87,937
1800-1801	49,75,700	61,06,700

CALCUTTA - COPENHAGEN

Year.	Imports S.R.	Exports S.R.
1798-99	6,15,052	1,11,087-(plus S.R.
1799-1800	10,16,474	9,56,145 10,00,000 from
1800-1801	10,22,520	7,14,825 Serampore)

CALCUTTA - LISBON

Year.	Imports S.R.	Exports S.R.
1798-99	2,04,182	4,40,880
1799-1800	46,56,391	33,44,435
1800-1801	9,69,319	20,57,936

CALCUTTA - HAMBURG

Year.	Imports S.R.	Exports S.R.
1798-99	2,18,943	5,91,173
1799-1800	72,333	61,582

CALCUTTA - MALABAR

Year.	Imports S.R.	Exports S.R.
1796-97 to 1798-99	2,73,082	8,87,898
1799-1800	3,06,084	26,29,856
1800-1801	31,564	14,08,175

CALCUTTA - COROMANDEL

Year.	Imports S.R.	Exports S.R.
1796-97 to 1798-99	6,24,615	14,22,364
1799-1800	8,24,162	27,66,697
1800-1801	8,22,546	24,80,351

Bengal Commercial Reports 1798 - 1800.

He rebutted the Court's argument about Indian cotton with reference to the growing supply to China.(1) The only difficulty was high freight which, Sir Robert Peel thought as early as 1797, could be circumvented with country ships.(2) He challenged the profitability of the Company's trade while it raised investments by bills or loans. In his estimate it made a profit of £3,200,000 on India trade between 1790 and 1801 or £266,666 per year which dwindled into insignificance when commercial charges were added.(3) Its capital was trifling. Its management of trade was costly and wasteful. In Henchman's view private remittable British capital had been grossly under-estimated by Grant: "The Private fixed property of British European subjects in India, was long since estimated at £2,500,000 and there is no doubt that this is at present a very small part of it,"(4) and as even this was insufficient for proper exploitation of the Indian market, export of capital from England would be welcome. Comparing the prices of ship-timber in Bengal and England and the cost of construction, he considered the Court's plan of building extra-ships ruinous and too dear for private gruff goods and concluded that acceptance of Wellesley's plan would be the only real

(1) 60,000 bales of cotton employing 20,000 tons of shipping were exported to China from Bombay and Surat and 34,000 bales to U.K. alone in 1799-1800. Three fourths of the latter came in India built shipping.

(2) App. IV Henchman op.cit. p. 150.

(3) Wisset calculated the average profit between 1793 and 1796 as £183,298 per year. Home Misc. 449 p. 38. For actual profit see App. 25 Fourth Report.

(4) Henchman op.cit. p. 66.

solution.[1]

Not content with publication of this pamphlet, Henchman together with other influential spokesmen for the agency houses like Cockerell, Johnson, Lambert, Prinsep, Paxton and Boehm tried in the General Court of 28 May to refer the whole matter to the previous Governors General.[2] When this was negatived by 80-135, mainly due to the opposition of Scott,[3] Baring, Bosanquet and Lushington, they called for a ballot. The other party appealed shrewdly to the fear of the British shipping interest and, before the decision of the ballot, sent draft paragraphs, (no. 139), supposed to be unanimous, based on the resolutions of 4 February 1801, to the Board for its approval before being despatched to India. The Board, finding in it censure of Wellesley's conduct, stalled it on the ground that it involved politcal as well as commercial questions.[4] The General Court on 5 June confirmed these resolutions, however, by 809 - 234 against which the agency houses lost no time in appealing to the Board on 8 June.

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(1) See also his Speech in the General Court debate of 28 May 1801. William Woodfall's Reports, 1801.

(2) Eur MSS. D 107 p. 14.

(3) Scott had also to sign the First Report. See his Special reasons - Scott to the Special Committee of the Court 27 January 1801 Home Misc. 402, p. 97.

(4) Board to Court 2 June 1801 vol. II. pp. 16-18. Dundas cancelled the first sixteen paragraphs containing censure on the servants of the Company in Bengal and proposed to substitute them by one of his own - "provided the Board should concur to anything being now sent" (in pencil) Home Misc. 402. But he had resigned from the Board at the beginning of March 1801

Reiterating all their grievances they warned the Board that the proposed resolutions would not be able to secure the end in view and would ultimately divert Indian trade to the French settlements and European trade to Antwerp, which the French designed to declare a free port, and to America. On 12 June Sir William Pulteney asked for papers on India trade in the House of Commons so that he could bring a motion next session allowing India built shipping.(1) While Baring tried to drive a wedge between Indian and British ship-owners(2), Dundas, no longer the President of the India Board, solemnly warned the House of the extreme scarcity of timber in England and affirmed the eligibility of teak-built shipping and Pitt, now the Leader of the Opposition,(3) said he would be glad to be informed by what right the East India Company or the nation could deprive the people of India (?) of the privilege of exporting their own produce and manufactures in their own shipping - "it seemed to him a natural right belonging to all nations, of which they could not be deprived without the most flagrant injustice."(4) The private traders had at last brought the whole question before the nation and had secured the open avowal of a very important section

(1) Woodfall's Parliamentary Reports, Commons 12 June 1801 p. 589.
(2) ibid pp. 591-92.
(3) The Pitt Ministry resigned on the Irish question on 14 March 1801.
(4) Woodfall's debates op.cit. p. 596.

of the Commons.

The Board, now headed by Lord Lewisham, later Lord Dartmouth, temporised over the draft despatch (now No. 159) as the matter was before the Parliament.(1) When the Court pressed again on the ground that the Governor General continued hostile,(2) the Board returned the draft without the paras censuring Wellesley for connivance at clandestine trade.(3) The Prime Minister, Addington, had to intervene when the Court advertised for ready-built ships of 500 to 600 tons and for building of ships of 500 to 550 tons - ostensibly to bring gruff goods of the individuals but really to forestall Wellesley's sending Indian ships in 1802. The Prime Minister thought such ships "far beyond what can be deemed necessary for the purposes of their regular trade,"(4) and the Board thought the draft inexpedient once again.(5) Both these measures were taken on the appeal of the East India agents.(6)

Of all persons Scott requested Addington to put off his negative to the new tenders and he explained this novel request as well as his strange conduct for some time past in the same letter.(7) He was

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(1) Brodrick to Court, 20 June 1801 EUR. MSS D 107 pp. 119-20.
(2) Ramsay to Brodrick 16 July 1801 ibid pp. 133-34.
(3) Brodrick to Court, 21 July 1801 ibid pp. 141-42 also Lord Lewisham to Chairman 21 July 1801 ibid pp. 169-70.
(4) Addington to Court 31 July 1801 ibid p. 157.
(5) Brodrick to Court, 4 August 1801 Ibid pp. 161-63.
(6) Letter from East India Agents to Viscount Lewisham 8 June 1801, Home Misc. 402 pp. 185-192. Their representative, John Taylor, met him in early August ibid pp. 335-360.
(7) Scott to Addington 11 August 1801 Eur. MSS D. 107 pp. 173-82.

in fact in a very unenviable position as the Chairman of the East India Company in 1801. "in that quality, as organ of the Court, I have according to usage, appealed to profess the same opinions as the Court, and indeed, in the General Court of Proprietors upon the same principle, have supported them, although I have differed from the majority . . . on some material points in this question."[1] He was trying to push through an urgent plan of retrenchment[2] and would like to throw a sop to the Court by allowing it to take up smaller ships at least in an experimental way. Moreover he did not like the question to come before the Parliament when he would have to resign from the Court as it would be impossible for him, then, to cloak his real views. Loath to give up his reforms and not prepared to resign until at the last, Scott naturally wanted a compromise with the government on private trade. Addington understood his dilemma but stressed the importance of exploiting teak resources of India.[3]

Victory of the Shipping Interest

Things were, however, moving very fast for a cool compromise. On 14 August Scott offered to resign and make way for a Chairman more in accord with the majority view on private trade.[4] The Court, irritated beyond measure by his frank confession, brought a motion

(1) ibid.
(2) These measures would lead to a saving of £250,000 a year. It was half of what Scott proposed at first.
(3) Addington to Scott 13 August 1801. Eur. MSS D. 107 pp. 189-90.
(4) ibid pp. 201- 203.

of no-confidence against him which was negatived. But this supreme affront drew from Scott a dignified letter of resignation on 2 September which was accepted with indecorous eagerness.(1) The shipping interest had at last secured the final defeat of its chief enemy.

The struggle with Dartmouth followed with another victory for the Court.(2) Dartmouth's greatest sin was to accept Scott's advice regarding India-built shipping and retrenchment.(3) But the protest of the managing owners of the regular ships, who were afraid of the introduction of a new class of ships for eight voyages,(4) and the memorial of the merchants and agents(5) also influenced the President's decisions. After the Secret Court had accepted the compromise offered by Vansittart (Addington's representative) on 17 November and further amendments of Addington on 25 November,(6) the private traders found the government ranged against them in the Commons debate on Sir William Pulteney's motion.(7)

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(1) Scott to Court 2 September 1801 ibid pp. 205-10.
(2) See the details in C.H. Philips. The East India Company 1784-1834, op.cit. pp. 112-117
(3) Dartmouth to Scott 14 August 1801 Eur. MSS, D. 107 pp. 193-97.
(4) Managing owners of regular ships to Dartmouth 25 September 1801. Eur. MSS. D. 107 pp. 233-35.
(5) Memorial of the merchants and agents to the Board - 25 September 1801 ibid pp. 225-29.
(6) ibid. pp. 56-63.
(7) The Asiatic Annual Register Vol. III pp. 227-58.

Addington backed the eleven resolutions of the Secret Court of 17 November which provided for employment of India-built ships for two years as an experiment but bound the Indian governments not to employ them after 1 April 1803 except in conformity with the resolutions.(1)

Influenced again by the agency houses who rejected the resolutions outright,(2) Dartmouth pushed on a lonely and doomed battle of drafts. On 25 March 1802 the Third Report of the Special Committee delivered a vicious attack on Dundas, Scott and Wellesley.(3) On 8 April Twining attacked in an India House debate Henchman, Dallas and all the protagonists of India-built shipping as private traders while Baring charged Dartmouth as "surrounded by the instruments of Mr. Dundas, and accessible only to the agents of the private traders of India".(4) Deserted by Addington, Dartmouth had no way but to resign. Only Wellesley remained and the Third Report had already opened on him the first volley of offensive. It

(1) Wellesley had permitted India-built ships to come home in 1801-02 as also some of the ships, which took part in the Red Sea expedition, in 1802-3. The new arrangement was thus to operate from 1803-4.

(2) "Papers on the subject of the Private Trade between India and Europe etc." in reply to Vansittart's Propositions of 17 November 1801. Also the letters of the agents to Vansittart 23 December 1801 and 4 January 1802. Home Misc. 402 pp. 651-708. Also "The Englishman's Letters Relative to the Trade between Great Britain and the East Indies etc." London, 1802. ibid. pp. 743-776.

(3) Home Misc. 403. pp. 131-33.

(4) The Asiatic Annual Register Vol IV pp. 310-48.

described him as a tool of the Calcutta agency houses like the Fairlies and their correspondents in London. It charged him as well as Dundas for phenomenal increase of the India debt which stood at £14,433,717 on 30 April 1800 (in Dundas's Budget given as £14,640,401).

In 1801 Wellesley was indeed pre-occupied with a huge debt - increasing by two crores per year! In May 1801 discount on 6% paper rose to 20%, on 8% paper to Rs. 11-4%, on 8% paper, paying half yearly interest, to Rs. 10-4%, on bonds to Rs. 11-8%. The 12% notes were on par and the late 10% decennial loans alone showed a premium of Rs. 3-8%.(1) Though land revenue had improved slightly, salt sales were not up to the expectation due to a combination among the dealers.(2) The indigo manufacturers were to be helped per order of the Court(3) and repeated requests of David Scott.(4) A second indigo crisis was on because of "high freights and insurance, scarcity of cash and high interest," consequent of war, as well as bad seasons and eager competition between the Bengal and Oudh manufacturers.(5) In one of Fairlie's letters, soliciting government assistance, we learn that more than

(1) Bengal Commercial Reports 1801-02.
(2) G.G. in C. to Court (Separate) 31 July 1801. Net surplus revenue of Bengal (after payment of interest) fell to S.R. 88,92,936 in 1800-1801.
(3) Court to G.G. in C. (Separate) 28 August 1800.
(4) Scott to Wellesley 10 May 1800, 15 July 1800. op.cit.
(5) Colvins and Barett to Acting Secretary of the Board of Trade 2 November 1801. Home Misc. 737 p. 99.

fifty lakhs had been invested in indigo manufacture.[1] The Government could not stand by and see so much of wealth destroyed without repercussions on its credit and opium sales. On top of this treasury bills at 12% had to be redeemed and a full investment secured.

The Government took desperate measures. It resumed and extended the town duties abolished in 1795. It re-established government customs at the increased rate of $3\frac{1}{2}\%$ on inland imports and exports of Calcutta, Hughly, Moorshedabad, Dacca, Chittagong and Patna which had been discontinued since 20 June 1788.[2] Though a drawback on town duties were allowed on articles exported to England, the duty affected Bengal's foreign trade with other countries and internal trade. A new tax on spirituous liquors manufactured outside Calcutta in European manner was introduced. When no more than £50,000 in specie came from London, it was compelled to float an 8% loan at a premium of 7% and a 12% loan for two years to absorb the treasury bills. It cut down Bengal investment for 1801-02 and provision for rice ordered by the Court in July and December of the previous year. Ultimately it took the same step as Shore did in 1798 to augment Bengal's financial resources - it

(1) Fairlie to Capt. John Malcolm. 6 November 1801 ibid p. 102.

(2) G.G. in C. to Court (Separate) 31 July 1801.Regulations 5, 10 and 11 of 1801. See Report by Mr. Courtenay relative to duties on export, import and transit of goods in India 25 January 1814. Home Misc. 523 pp. 19-25.

forced the Nawab of Oudh "to make a cession to the Company in perpetual sovereignty of such a portion of his territory as shall be fully adequate, in their present impoverished condition, to repay the expenses of the troops."(1) The Doab, one of the richest provinces in the Vizier's Dominions, which grew fine cotton in abundance, was ceded in November 1801 and was placed under the charge of Wellesley's brother, Henry Wellesley.(2) It was very welcome revenue.

The Court could not send specie to Bengal(3) but it had proposed several measures of relief. It permitted the Bengal Government to draw bills at 9 months date on account of interest accruing to the Company's creditors (but strictly called upon addition to investment to an equal extent.)(4) It ordered Canton not to draw on Bengal.(5) Yet we find the Vice President in Council informing the Court of a deficit of more than a crore in 1802-3 and a deficit of about two crores in 1803-4, taking investment only at 75 lakhs in the former year and at 90 lakhs in the latter but leaving out bullion supply from England. Since the Government did not anticipate such a large supply from the Court - it opened another loan at 8%. When Dundas's plan for reduction of debt and the Court's orders on reduction of military establishments arrived,(6) Wellesley wanted time

(1) Quoted from The Cambridge History of India Vol.5p. 353. Wellesley to Colonel Scott 22 January 1801. The date of the treaty was November 1801.

(2) Wellesley to Court 13 November 1801. Wellesley to the Secret Committee 14 November 1801.

(3) Court to G.G. in C. (Public) 26 March 1801. Court to G.G. in C. (Public) 22 April 1801.

(4) Court to G.G. in C. (Public) 11 February 1801.

(5) Court to G.G. in C. (Public) 8 April 1801.

(6) Court to G.G. in C. (Separate) 31 August 1801.

up to the end of 1802 to commence operation of the former [1] and flatly refused to expedite the latter.

In spite of all the manoeuvres of the Government [2] and all facilities given to the creditors,[3] subscriptions to the sinking fund and the loans remained low. Madras Government, in the grip of the unscrupulous British Bank, drew mercilessly on Bengal.[4] Dependence on bullion supply from England grew more acute.[5] A second loan at 8%, floated in August, still left need for half a crore if the 12% floating debt was to be liquidated in 1803. The only concession made to the Court was enhancement of investment in 1802/3 to 88 lakhs. Even the edge of that good news was taken away by dropping the [redacted] charges of illicit trade against Messers Fairlie, Gilmore & Co. and other agency houses [6] on lack of evidence [7] and by permission granted to three ships, employed in the expedition to Egypt, to proceed to England.[8] According to Wellesley it was a great moderation of his earlier policy and if the final orders regarding private trade did not arrive in time, he would have to decide

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(1) Wellesley to Court 13 March 1802.
(2) G.G. in C. to Court (Public) 5 April 1802
(3) ibid. Interest bills were drawn on the Court payable at 3 months sight.
(4) G.G. in C. to Secret Committee 5 June 1802.
(5) G.G. in C. to Court (Public) 29 September 1802.
(6) Ordered by the despatch of 31 October 1799.
(7) G.G. in C. to Court (Comml) 17 April 1802.
(8) G.G. in C. to Court (Public) 4 October 1802. In 1801-02 the Court had given permission to country ships to come to England if they carried a certain amount of rice. Out of 26,982 tons of prigate goods shipped in that year 15 to 16,000 tons consisted of rice. See G.G. in C. to Court (Comml) 30 October 1802.

the case of other applicants for the same favour.

The Court's Commercial Despatch of 16 June 1802 (received in Bengal at the end of the year) contained these final orders. It laid down the basis of "a final and satisfactory arrangement between the Company and those interested in the private trade." Any amount of shipping would be made available to private traders for all goods save piece goods (for which a special license was necessary) and saltpetre. Ships for this purpose were to be built in India (6 in India for 1803-4) or England and the Company was to contract with the builders or owners for eight voyages. To ascertain the rate at which teak-built ships were available, the Government was to advertise for such ships as required provided their freight did not exceed that of those lately contracted in England (i.e. £14 plus £3 if built during war and other allowances). The Government could also engage ready built ships for two or more voyages for this purpose provided their freight did not exceed the rate actually paid by the Company for such ships in the present season and provided they confirmed to certain standards. Such ships were to be re-let by the Company to such merchants as might be disposed to export or import Indian goods, charging according to the proportion fixed in 33 Geo III Cap. 52. The Court confirmed the Government's contract with ships taken up for the Red Sea expedition, provided they left Bengal and Madras before 30 April 1803 and Bombay before 31 July 1803. The engagement of ships by permanent contract came into effect after April 1803. To afford a provisional aid to private trade and encourage disposal of India-built ships the Court permitted properly equipped ships between 300 and 600 tons to be hired for one voyage to be sold in England. If inspite of all this there still remained a shortage of tonnage, the Government was to hire private ships for one voyage only. Resort of the Europeans to India was to be strictly controlled and agency houses were to be compelled to follow the regulations of 1793 in letter as well as in spirit. Wellesley had no way out of these comprehensive and clear instructions. The victory of monopoly was complete. Its vengeance was to follow soon.

The Private Traders' Problems: It is evident from the story narrated above that India-built shipping was merely a symbol, the real issue behind it was the imperative necessity felt by the Indian governments and the British merchants for free movement of British capital to and from India. The former supported its cause partially because it would be the Channel of Capital Import from England (surer than the Court's supply) which would replenish the scanty resources of the Indian Capital market, (1) bring down the prohibitive rate of interest and thus help the Government not only to establish its

(1) Warren Hastings appreciated this as a great obstacle to his policy of consolidation. "The want of credit, as it is falsely called, in Bengal, is not, as the term implies, a want of confidence, but of means, in those who were the creditors of our Treasury. When these had no more ready money to lend, the government appeared to be greatly distressed....." Memoirs Relative to the State of India. op.cit. p. 19.

credit but its ability to draw cheaply in future emergencies attendant on a forward policy in India and a continuous war in Europe. The private merchants' need for capital was no less real or pressing. They had to compete with the government for funds in the same limited capital market and naturally wanted to obtain an independent and cheap source of supply as well as a flexibility to switch from one field of investment to another which followed from it. Increasing country trade also demanded larger capital.(1)

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(1) CALCUTTA - CHINA (PRIVATE)

Year	Imports S.R.	Exports S.R.
1796-97 to 1798-99	8,90,705	6,46,840
1799-1800	15,79,784	14,70,525
1800-1801	29,39,951	24,30,008
1801-1802	20,77,062	14,73,108.

CALCUTTA - Pulo Penang and Eastward

Year	Imports S.R.	Exports S.R.
1796-97 to 1798-99	8,04,726	9,10,430
1799-1800	12,35,625	22,06,227
1800-1801	22,48,188	25,70,640
1801-1802	23,83,626	21,71,382

CALCUTTA - Pegu

Year	Imports S.R.	Exports S.R.
1796-97 to 1798-99	2,09,058	6,62,283

CALCUTTA - Gulfs

Year	Imports S.R.	Exports S.R.
1796-97 to 1798-99	6,89,827	7,71,281
1799-1800		4,35,593
1800-1801	6,10,493	4,06,031
1801-1802	8,74,372	13,31,257

Bengal Commercial Reports.

If they were eager to get funds at low interest for employment in ships or foreign trade - indigo or sugar, they were more eager to get funds, when such speculations failed or were hindered by the Company's policy, to lend to the Government at a high rate. Bereft of open and abundant facilities, the private merchants solved the problem of capital scarcity by greater imports of merchandise from London and through India-built shipping as they solved the problem of remittance by indulging in clandestine trade.

An analysis of private trade with London during this period would clearly show the urgency of these problems. From 1796-97 to 1798-99 the private traders imported from London S.R. 37,51,054 worth of merchandise and S.R. 13,09,481 worth of treasure. Imports of merchandise from London were about 24% of the total imports of merchandise by private merchants from all parts of the world. In the next three years the logic of capital needs forced them to import a much larger quantity of merchandise from London - 37% of their total import of merchandise from all parts of the world. Import of treasure from London fell from 14% of the total treasure imports in the first three years to 9% of such total in the last three.[1] British manufacture and mining profited more and more by this change. In 1797-98 the value of articles imported from England stood as -

Woollens	-	S.R. 58,934
Metals	-	S.R. 48,603
Articles for the use of the Europeans	-	S.R. 6,27,133
Liquors	-	S.R. 3,52,584

In 1801-02 the various items stood like -

Broadcloths	-	S.R. 1,07,409
Metals	-	S.R. 1,62,186
Wines & liquors	-	S.R. 12,67,410

Between 1795-96 and 1801-02 glassware had increased from S.R.1,10,565 to S.R. 1,48,185, cutlery from S.R. 24,710 to S.R. 45,964 and hats from S.R. 15,110 to S.R. 85,352.[2]

(1) CALCUTTA - LONDON (Private)

IMPORTS

	Merchandise S.R.	Treasure S.R.
1796-97 to 1798-99	37,51,054	13,09,481
1799-1800 to 1801-02	1,09,32,610	23,34,536

CALCUTTA - WORLD

IMPORTS

	Merchandise S.R.	Treasure S.R.
1796-97 to 1798-99	1,53,77,166	90,23,386
1799-1800 to 1801-02	2,95,62,017	2,52,69,177

(2) Bengal Commercial Reports 1795-96 to 1801-02.

This was possible only because the manufacturers sold their goods to the agency houses on credit for long bills or for cash on high commission. To get the credit or the commission the agency houses had to import British manufactures into India.

The remittance of fortunes to London, however, through the medium of exports, encountered great difficulties. In 1795-96 out of a total export of S.R. 2,04,50,131 in merchandise by private merchants, London received only S.R. 84,08,800 or about 41%. Indigo was the staple export in private trade to London or the principal means of remittance of private fortunes. At the end of this period the total private exports in piecegoods had risen, indigo had declined due to two crises caused by war and over speculation, sugar had risen in comparison to 1795-96 but fallen in comparison to 1799-1800, grain had risen due to scarcity in England, silk had gone up by nearly 40% and opium had doubled. London's share of the exports had increased to 42% of the higher total.(1) The sale value of privilege and private

(1) CALCUTTA - WORLD (Private Trade)

	1795-96 S.R.	1801-02 S.R.
Indigo	62,51,424	38,48,139
Grain	9,11,365	22,59,618
Sugar	8,20,186	12,01,798
Silk	5,81,183	13,65,882
Piecegoods	94,83,284	1,65,91,309
Opium	13,08,360	27,51,915

CALCUTTA - U.K. (Private Trade)

	1795-96 S.R.	1801-02 S.R.
Indigo	61,44,180	37,71,407
Grain	-	7,52,852
Sugar	3,05,050	2,17,899
Silk	-	1,70,906
Piecegoods	14,91,410	66,68,290

Bengal Commercial Reports 1795-96 to 1801-02.

goods went up.(1) But it was clear that if the private merchants were to replace indigo by something which would fetch a more profitable remittance they could not fall back on cloth which still paid high duties inspite of the Warehousing Act, nor on grain which had a temporary demand, nor on sugar so long as the West Indies monopoly prevailed. They had to rely on silk, sugar, cotton and indigo which could not offer a good remittance unless borne in cheaper vessels and produced on a large scale in the European manner. The first pointed out to the India-built shipping and the second to the need for capital import,(2) of which one medium was such shipping.

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(1) London sale value of Privilege and Private trade

Year	Sale Value £
1794	623,639
1795	843,747
1796	868,328
1797	953,561
1798	939,907
1799	1,329,723
1800	2,117,947
1801	2,113,391

App. 45 and 46 Fourth Report (1812)

(2) As early as 1792 Thomas Law, late member of the Council of Revenue, Bengal, wrote "A Sketch of Some Late Arrangements, and a View of the Rising Resources, in Bengal" asking for development of sugar, if need be, with imported capital. p. XXIX: See also Colebrooke's Remarks on the Husbandry and Internal Commerce of Bengal, Calcutta 1804.

The Governments' view: The Bengal Government understood best the link between private trade and public finance. So long as private individuals were unable to secure cheap money for speculations in raw materials or to carry the same at low freight, so long as salt and opium remained a close monopoly and silk all but the same, they would want to invest their Indian fortunes with the government for the highest possible remuneration and to sell out their holdings during financial crises. The government felt their stranglehold at the end of the eighteenth century more than in the days of Cornwallis.[1] Cornwallis had spoken of the natives of India as possessing the major share in public securities. But the establishment of the Permanent Settlement in 1793 had changed the whole situation by creating a new and respectable field of secure investment for native capital. Dundas and Russell held a somewhat rival opinion that at least two million pounds of the India debt should be kept unpaid in native hands to secure their loyalty to the government.[2] Sir John Shore was debating whether he should follow the first policy or the second.[3] The rapid rise of land values in the years following the Permanent Settlement had the effect desired by Cornwallis. In 1795-96 lands were bought at revenue sales at more than 15 years' purchase.[4] Rise of interest

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(1) See Henry St. George Tucker's Memorials of Indian Government Edited by John William Kaye, London, [redacted].1853. P. 384.

(2) Castlereagh wanted to raise it later to four million pounds. Castlereagh to Chairman 7 March 1803 Home Misc. 371. p. 537.

(3) G.G. in C. to Court (Public) 8 March 1794.

(4) G.G. in C. to Court (Revenue) 31 August 1797.

rates in the next two years, however, lowered the land values to 12-13 years' purchase in 1796-97 and 9½ years' purchase in 1797-98.[1] It fell still lower in the next two years when the Government borrowed heavily for war - (showing that quite a few of the zemindaries were bought and sold for speculative purposes and not with Cornwallis's noble aims in view). But the establishment of the sinking fund, import of British capital in consequence of Wellesley's trade policy and the Court's bullion supply helped the government credit and enabled it to lower interest to 8%. The native capitalists at once took to investing in land, now armed with summary powers of distraint, and in inland trade which according to the Reporter of External Commerce they soon monopolised.[2] This process was further facilitated by the Court's order to draw interest bills which was beneficial to the Europeans alone who began to buy out the native holders of paper. H. St. George Tucker, the financial adviser of Wellesley, computed that the debt held by natives in Bengal on 31 January 1801 amounted to S.R. 1,89,45,000 while that held by the Europeans was S.R. 6,69,20,000.[3] The British merchants' control of public credit was complete. Wellesley, like Cornwallis, found it difficult not to oblige his creditors and sought remedy in greater import of capital from England, preferably by

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(1) G.G. in C. to Court (Revenue) 23 September 1798.
(2) He estimated the increase of native circulating capital in Calcutta between 1797-98 and 1801-02 to be £16 millions.
(3) St. George Tucker's Minute on transfer of debt 22 June 1801, Home Misc. 370, p. 769.

the Court, but if that was accompanied by stringent conditons which shackled his freedom of action, by the individuals.

The Court's View: In the Court's view it had done enough for the extension of British manufactures and improvement of Indian articles. The invoice value of its woollen exports was £580,280 during 1793-94 and 1801-02 and of goods and stores - £1,936,913.(1) The consignment of cloth to Bengal rose from 753 bales in 1794 to 1354 bales in 1800, and that of metals remained steadily progressive.(2) Its

(1)

The Company's exports to Bengal from Europe. Invoice value

(in £)

Year	Woollens	Goods and Stores
1793	27,107	184,493
1794	48,818	154,784
1795	54,139	162,221
1796	58,241	152,641
1797	80,779	176,080
1798	86,229	162,198
1799	71,872	324,944
1800	85,687	228,785
1801	67,408	390,767

Milburn Oriental Commerce Vol. 2 pp. 178-79

(2) Court's Commercial Despatches 1793 to 1800. Copper rose to 990 tons in 1795, lead to 600 tons in 1801 and iron to 420 tons in 1801. Steel was exported about 50 tons each year. The sale value fetched, however, only an average of C.R. 19,42,716 per year. See Dundas's Heads of Speech, op.cit.

imports from Bengal were fairly large during the whole period. The average sale value of Bengal piece goods imported into England during 1794-95 to 1801-02 was £1,175,297, of Bengal raw silk - £335,409.(1) Sale value of sugar imported during 1791 and 1799 averaged £208,854(2) and saltpetre imports averaged fifty to sixty thousand bags. Notwithstanding trade crises in England in 1793 and the rapid improvement of British cottons, the Company kept up an average investment of 66 lakhs of current rupees in piece goods of Bengal. It started throwing silk into organzine from 1794 to help Bengal raw silk which was for some time falling in the London market.(3) Sugar was continued inspite of its high freight.(4) Advances to indigo manufacturers were

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(1)

Sale value of Bengal goods imported
by the Company
1794-95 - 1801-02

Year	Piece goods (£)	Raw Silk (£)
1794	1,249,704	309,743
1795	1,353,599	381,385
1796	1,323,594	327,427
1797	651,923	258,644
1798	1,228,308	322,873
1799	1,056,840	390,149
1800	1,406,879	297,645
1801	1,131,531	395,410

Milburn op.cit. p. 235 and p. 257.

(2) ibid p. 274.
(3) Devaynes and Cheap to Dundas 9 February 1794 Home Misc. 210. p. 123.
(4) The Court sent one Mr. Paterson in 1792 and one Mr. James Hanson Keene in 1794 to look after improvement of sugar and ordered Bengal to make regulations prohibiting the landlords from increasing rent on sugar cane growing lands. G.G. in C. to Board of Revenue 17 September 1792.

kept on till financial crisis forced the Bengal government to stop it in 1796. But advances were resumed from 1800 by the Court's special orders (from 1793 to 1801 the Company advanced £476,758 to the manufacturers). In 1793 Bengal began its first experiment in jute, hemp and sunn.(1) Though it was stopped in 1797 because of the weakness of the first two and the inferiority of the last in comparison to Russian hemp,(2) the Secret Committee's orders of 10 October and 4 December 1800 led to its revival. It was more and more clear, however, from 1799 that fine piece goods, particularly muslin, could not withstand the products of machine(3) and sugar began to suffer from recommencement of supply from the West Indies. In 1801 the indent for calicoes and cottons was increased to redress the balance of muslins and prohibited goods. Henceforth silk, indigo and calicoes supported the Company's trade.

It was no good augury for the future but during the period under review large sales at India House gave comfort to the Court and, what Dundas and Wellesley called, a delusion of prosperity. The Court was now anxious to see the surplus revenue of Bengal, which lay at the core of large investments, fast dwindling into deficits.(4)

(1) The first sample of hemp and jute was sent by the Bengal Board of Trade in 1791. See letter of 11 March 1791. The Court ordered 1000 tons in 1793. See Commercial Despatch 23 October 1793.
(2) Proceedings of the Bengal Board of Trade 7 March 1797.
(3) In 1747 Dacca exported fine piece goods worth 28,50,000 Arcot rupees. In 1797 its export fell to 14,01,545 Arcot rupees of which the Company took only piece goods worth 5,07,388 rupees. Home Misc. 456 F p. 113.

(4) (on following page)

Footnote (4) (from previous page)

Actual revenues and charges in Bengal in 1793-94 and 1801-02

Year	Revenues C.R.	Charges C.R.
1793-94	5,87,19,460	3,33,19,778
1801-02	7,12,79,887	4,70,55,825

Indian surplus and deficiency after payment of interest and supplies to Bencoolen etc.

Year	Surplus £	Deficiency £
1793-94	1,654,852	
1801-02		£383,743

From Dundas's Heads of Speeches op.cit.

It refused to look at the other side of the balance sheet: "We admit that considerable additions have of late been made to our resources by the subsidiary engagements entered into with the Nabob of Oude, the Nizam and with the Rajah of Mysore, yet if the augmentation of expenses goes hand in hand with the additional resources which appears to us to be too much the case at present, the advantages of the Company by these engagements are at least problematical." (1) It was still further irritated to see its commercial profits dissipated in what it thought unnecessary military adventures which never brought quick returns.

The private traders would not have gained much had their claims been conceded. The French privateers from the Mauritius were working havoc among the merchant shipping. They even dared to capture a ship at the mouth of the Hooghly. (2) The small and unarmed India-built vessels would have been easy prizes to be had for the taking. The Court warned against this danger. So far as the Court's failure to understand the strain of war on public finance is concerned, we must remember that such understanding was not common even before World War I. Nor can it be blamed for putting its commercial interests before its sovereign's obligations. Only men with great foresight and vision like

(1) Court to G.G. in C. (Separate) 31 August 1801, also Bosanquet to Wellesley 29 May 1801 Add. MSS 37,278 f. 89.

(2) C.N. Parkinson, War in the Eastern Seas op.cit. pp. 159-60.

Dundas, Scott and Wellesley understood the logic of the assumption of sovereign power in India or were prepared to pay the inevitable price for its achievement. The Court could hardly realise that Bengal's resources were not enough to meet expenses of continuous war and still provide supplies to the Company's settlements in India, Bencoolen and China and investments for England.(1) When it realised the gravity of the situation it began to send bullion to purchase investment(2) and allowed bills on account of interest in addition to its subscription plan.(3)

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(1) Investments from Bengal including Supplies to China

Year	Amount C.R.
1793-94	1,40,20,382
1794-95	1,10,84,487
1795-96	1,45,95,470
1796-97	1,20,23,944
1797-98	1,50,19,685
1798-99	87,76,848
1799-1800	1,19,77,640
1800-1801	89,76,910
1801-02	73,96,514

Dundas's Heads of Speeches op.cit.

(2) Between 1798-99 and 1801-02 the Court sent £2,851,769 to India. ibid

(3) Bills drawn from Bengal on Subscription plan.

Year	Amount (C.R.)	Year	Amount (C.R.)
1793-94	39,22,367	1798-99	9,45,998
1794-95	59,44,717	1799-1800	12,81,658
1795-96	50,40,196	1800-1801	7,53,897
1796-97	40,75,727	1801-1802	13,03,427
1797-98	19,19,989		

ibid.

But Bengal, saddled already with a huge debt, could ill afford to wait for the irregular arrivals of gold. Only Dundas's plans could have enabled it to provide for debt as well as investment but that only in peacetime. Cost of war had to be borne either by India or by the Company or shared between them - and in that process would bring more clearly to light the fundamental contradiction between the commercial and the sovereign aspects of the Company.

To sum up, Dundas and David Scott dreamt of an interdependent empire in which colonies and dependencies would contribute to the security and prosperity of the Mother Country but in return would obtain equal treatment among themselves and a preference against all outsiders. Free trade, or at least trade under the least possible restrictions, would be the golden chain which linked the raw material-producing East with the manufacturing Britain, each to the other's advantage and most to that of Britain. Both saw, though dimly, its possibilities as a weapon in economic warfare against France. The Court of Directors, however, moving in their narrow groove of monopoly, placidly complacent if their regular ships earned high freight and Bengal produced large surpluses for big investments, neither understood its implications nor supported the course of actions its implementation would inevitably entail. The Imperialism of Dundas and Scott was enlightened imperialism, for, corresponding to the stage of economic development in India and

and England and the framework of the East India Company's government there could not be any better economic relation than envisaged by Dundas and Scott. Public investment in and management or encouragement of an Indian Industrial Revolution was unthinkable. For this the Company sadly lacked capital. It was incompatible with its history, spirit, tradition and organisation and, if at all attempted, would have been prematurely crushed by the British manufacturing interest. Industrial Revolution under private aegis would mean the abolition of the Company's monopoly as well as its sovereignty. In fact the opponents of the far more innocent imperialism of Dundas and Scott could be found not only in the camp of the monopolists but also in the camp of the principal staple manufacturers of England who, together with the West Indies sugar interest, stalled all liberal customs reforms while shouting diatribes against monopoly. That the Company took up in the words of Dr. Spear "a plan for the regulation of economic life in India rather than a positive plan for the development of Indian resources" - an "enabling rather than a mandatory plan"[1] - was due on the one hand to the blind and selfish interests of the monopolists and on the other to the equally blind and selfish interests of the British manufacturers and the colonial planters. To prices of Indian

(1) Percival Spear India, Pakistan, and the West Oxford University Press 1952 pp. 148-49.

articles already enhanced by charges, commissions, freight and interest which remunerated the Company, its servants, contractors and creditors, were added the duties which protected the British textile manufacture from the Indian calicoes[1] and the West Indies planters from Indian sugar.[2] Moreover the encouragement given to Indian raw materials was erratic and irregular and largely dependent on scarcity of supply from other quarters. America was the chief supplier of cotton, West Indies of sugar and Russia of hemp. It was war which created demand for Indian cotton, hemp and

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(1) Rate of duties on Indian Piecegoods

Year	White calicoes plain	Muslins and nankeens
1787	5s 3d per piece plus £16.10s% ad val.	5s 3d per piece plus £18% ad val.
1797	5s 9d per piece plus £18.3s.% ad. val.	5s 9d " " " £19.16s% " "
1798	5s 9d per piece plus £21.3s.% ad. val.	5s 9d " " " £22.16s.% " "
1799	6s 8d per piece plus £26.9s. 1d. % ad val.	6s 8d " " " £30.3s.9d.% "
1802	6s 8d per piece plus £27.1s.1d.% ad val.	6s 8d " " "£30.15s.9d.% ""

Cotton manufacture, not enumerated, imported by the Company, paid £50% advalorem. After the Warehousing Act considerable drawbacks were, however, allowed. See Edward Baines, The History of the Cotton Manufacture London 1835 p. 325.

(2) Rate of duties on Indian sugar

Year	Rate
1796	£37 16s 3d % advalorem plus 5s 2d per cwt.
1799	£5% adval. on warehousing.
	£37 16s 3d plus 3s 2d per cwt. on home consumption.

sugar even though they were costlier than the products of other countries. It was war again which gave India her monopoly in silk and indigo. Development of raw materials on a regular basis depended on the investment of British capital, the promulgation of free trade and the introduction of cheap shipping. What Dundas, Scott and Wellesley failed to achieve could now be achieved only in the event of abolition of the Company's monopoly. This the private traders realised from their defeat in 1802 and bent all their energies upon to bring about at the next renewal of the Charter. As in 1793 they could rely on the cotton manufacturers of Lancashire who had increased their exports to Ports east of the Cape from a mere £156 in 1794 to £21,200 in 1801[1] and expected to flood India with the products of their looms once the great enemy of free trade and the patron of the Indian textiles was removed from the field.

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(1) Value of English Cotton goods exported to Ports East of Cape of Good Hope

Year	Value (£)
1794	156
1795	717
1796	112
1797	2,501
1798	4,436
1799	7,317
1800	19,575
1801	21,200

Return to an Order of the House of Commons, 4 May 1813.

CHAPTER III

The End of the India Monopoly

In this chapter I propose to deal with the train of events which ultimately led to the abolition of the Company's India monopoly. The defeat of Wellesley's commercial plan in 1802 prompted the private traders to try clandestine channels of remittance. The stagnation of trade after the resumption of the Anglo-French struggle in 1803 diverted their remittable income to the optional loans taken by Wellesley to finance the Maratha War. They were forced by the state of commerce after 1806 to ask for a transfer of debt to England and under the pressure of such transferred debt and poor sales at home, the Company tried to revive its monopoly with greater vigour. When it failed, the Company had to ask for the help of the parliament which, because of the prevailing trade depression and the vehement public agitation, could not but lay the India trade open.

Inspite of difficulties and disappointments the private export trade from Bengal to London had phenomenally increased during the twenty years between 1777 and 1797. In the former year it amounted to a mere S.R. 3,00,000 out of a total private export amounting to S.R. 28,32,667 or a little more than 10%. In 1787 it rose to S.R. 32,55,110 out of S.R. 74,84,281 or about 43% and in 1797 it rose still further to S.R. 69,71,521 out of S.R. 1,51,20,209 or over 45%. The British merchants had a lion's share of the export trade by 1797, amounting to S.R. 91,97,610 or just below 61%; the Tuscans, the jews, the Chinese and the Burmans had an insignificant share while the rest was divided in the following way -

the Americans	-	S.R. 24,48,000 or about 16%
the Portuguese	-	S.R. 9,02,000 or about 6%
the Armenians	-	S.R. 8,64,000 or about 5.7%
the French residents of Calcutta	-	S.R. 2,20,000
the Danes	-	S.R. 1,52,000
the Arabs	-	S.R. 2,96,000
the Telinga merchants	-	S.R. 4,47,806
the Bengalee Hindus	-	S.R. 2,60,000
the Parsees	-	S.R. 2,57,000(1)
the Muslims	-	S.R. 1,65,000

Within two years, however, the picture was greatly changed. In 1799-1800 out of a total export of £3,500,000 the British held £1,600,000 or over 45% and the others in the following manner -

(1) Bengal Commercial Reports 1795 - 1802 op.cit. for the year 1796-97.

the Americans	-	£500,000 or over 14%
the Portugese	-	£600,000 or over 17%
the Danes etc.	-	£300,000 or over 8%
the Armenians	-	£150,000 or over 4%
the native inhabitants	-	£350,000 or 10% (1)

The share of the British had declined and the clandestine trade through the foreign European states had increased conspicuously - a position which Wellesley's liberal trade policy tried to rectify in 1798, 1800 and 1801 but the Court's negative policy bade fair to worsen in 1802.

The indigenous traders had never any chance against the more enterprising foreigners who had not only command over a larger capital but a greater mastery over the scientific technique of navigation and the economic technique of credit. From the beginning of the nineteenth century some of them took recourse to internal trade and some to long term investment in landed property - Government loans being no longer remunerative as before and their conditions being more favourable to the Europeans. According to the Bengal Commercial Reports this major shift in Bengal's investment pattern took place about 1802-3 and the reason must have been the growth of the American and foreign European trade of Bengal. Prior to 1799-1800 piecegoods and raw silk worth only S.R. 40 lakhs were imported into Calcutta from the interior. In 1801-02 their value rose above 120 lakhs. Previous to 1798 a ship arriving in Bengal had to wait long

(1) ibid for the year 1799-1800

for assortments of goods, "whereas at the present period, there are seldom less than one million sterling in value of cloths belonging to the native merchants deposited in Calcutta for sale, and every other species of merchandise in an equal proportion." The Reporter on External Commerce of Bengal adds with a slight tinge of jealousy that "the formerly timid Hindoo now lends money at respondentia on distant voyages, engages in speculations to various parts of the world, and as an underwriter, in the different insurance offices, erects indigo works in various part of Bengal, and is just as well acquainted with the principles of British laws, respecting commerce, as the generality of European merchants, and enjoys moreover two very great advantages over the latter: the first, in trading on his own instead of a borrowed capital; and, secondly, of living and conducting his business at probably 1/10th of the expense of the European."(1)

But the Reporter on External Commerce failed to notice the precarious foundation on which the edifice of this ephemeral prosperity was built. The indigenous traders could never go in to the more profitable foreign trade themselves for lack of shipping,(2) trading capital was more often than not borrowed and at a higher

(1) Bengal Commercial Reports 1802-03.

(2) This was not true of the native merchants of Bombay who had throughout a fair share of Bombay's shipping and country trade.

interest than obtained among the Europeans and, after they had been deprived of the Company's contracts since the introduction of the agency system in 1788, the whole improvement of indigenous trade depended on the foreign European and American demand for the Indian cotton manufacture which already faced a stiff compeition from the machine-made Britsh textiles. It is true that the foreign traders had largely compensated for the loss of the Company's orders during the years of the last Mysore War. The curtailment of the investment caused a setback (1) which would have degenerated into a depression had not the private European and American traders come to their rescue with a demand for medium quality piece goods. At the height of the indigo crisis in 1802-03 piece goods alone accounted for S.R. 1,85,94,676 out of a total private export trade of S.R. 3,49,32,170. But this dependence on artificial conditions like the financial crisis of the Company or on the foreign European and American demand was the inherent weakness of indigenous trade. If the conditions for direct remittance trade with London improved or the foreign European and American trade fared worse or the demand for the Indian cotton manufacture in the international market fell, the

(1) See the answers to the interrogatories proposed by the Governor General in Council in 1801 to Judges of Circuit and Zillah judges in Bengal - particularly the returns from Hooghly, Midnapore, Nuddea, Dacca and Buckergunge. Parliamentary Papers, House of Commons, 3 June 1813.

Indian summer of indigenous trade would come to an end. Unfortunately this was the actual course of events and it was further assisted by the Bengal government's customs policy. When the India trade was opened in 1813 and the private British capitalists of Bengal did not have to remit through clandestine channels, the "timid Hindoo" once more went back to his limited field of inland trade.

The import trade from London did not flourish either, though its value had increased from S.R. 15,34,219 in 1797 to S.R. 48,54,070 in 1802. It was not important for its own sake but as furnishing capital for the purchase of Indian articles or investment in country shipping and trade. High prices of the imported British goods were beyond the means of the Indians and their demand was limited within the circle of the Europeans which, however, was expanding with the expansion of the Company's civil and military services and greater resort of the Europeans as free merchants or mariners, indigo or opium speculators. The import trade was a precarious trade based on commission or credit and they were not sufficient incentives without other advantages. Only the commanders and officers of the Company's ships, who got their privilege free, and the owners of the India-built ships, who did not have to pay freight, obtained some return and between them they have largely obviated the need for bullion export. The proportion of treasure to merchandise in the private import trade from London was 1:5 in 1797 and 1:4 in 1802 while that in the total private import trade was 29:39 and 117:112 respectively. While other countries in foreign Europe and America had been importing more treasure than merchandise, Britain was already sending more than three fourths of her exports in merchandise - i.e. her own manufactures. If this advantage was to be clinched, the India-built shipping must be allowed to come home or, if the monopoly of the Company was to be safeguarded, the Company's investments to and from Britain must be generously enhanced.

Clandestine trade: The victory of the Shipping Interest in 1802 precluded the former and brought about a crisis in the mercantile and shipping world of Bengal. Between 1781 and 1800 no less than thirty five ships had been built at Calcutta - totalling 17,020 tons. In 1801 and 1802 alone, under Wellesley's encouraging policy, another twenty nine ships of 14,535 tons had been added. The Court's letter of 16 June 1802, however, pricked the balloon of this speculation. Between 1803 and 1806 an average of 3774 tons were constructed per year - just sufficient for the expanding country trade and the ordinary wear and tear.(1) No tenders were offered in 1803 for building of ships according to the stringent terms laid down by the Court.(2) Advertisement for

(1) History of Ship-building in Calcutta: from a Collection of Papers Relative to Ship-building in India etc. Compiled by John Phipps. Late of the Master Attendants' Office Calcutta 1840 p. XII, pp. 126-27.

(2) G.G. in C. to Court (Comm^{l}) 21 March 1803.

ready-built ships for two or more voyages met with the same fate and, when, in response to a call for tender of ready-built ships for one voyage to London on condition of being sold there, two ships were offered at £14 per ton, the Government rejected as their demand exceeded £11, the maximum freight homeward fixed by the Court.[1] The private traders had to look elsewhere than in direct trade with London for remittance of their fast growing income from military contracts, the opium trade and government securities. The Fairlies had monopolised the elephant, bullock and victualling contracts of the Bengal army.[2] They were also the agents of one Andrew Kelso who got the contract for army clothing.[3] Fortification contracts went to Lambert and Ross.[4] Others had a lesser share in this Wellesley war-boom but everyone had prospered from the high interest on war loans. The largest source of profit, however, was the country trade in opium. From 1802 opium was king. Exports to China leapt up from S.R. 38,64,597 in 1802-3 to S.R. 70,79,641 in 1805-6 of which S.R. 32,94,370 was in opium. Exports to Pulo Penang showed the same tendency, rising from S.R. 19,78,098 in 1803-4 to S.R. 34,80,416 in 1805-6 of which S.R. 21,25,209 was in opium. The average exports to the Coast of

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(1) G.G. in C. to Court (Comm[l]) 17 October 1803.
(2) G.G. in C. to Court (Military) 18 August 1794, 31 January 1795 and 1 February 1796.
(3) G.G. in C. to Court (Military) 29 August 1799.
(4) G.G. in C. to Court (Military) 20 March 1795.

of Sumatra rose from S.R. 3,84,714 during 1800-1802 to S.R. 5,25,935 during 1803-1805, opium supplying S.R. 3,20,748 to a total of S.R. 4,93,901 in 1805-6.(1)

When war and high freight prevented this profit from being carried to London except in 1803,(2) the private capitalists tried to canalise them through the foreign European and American channels or put them in to coastal trade.(3) The excess of the Portugese

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(1) CALCUTTA - CHINA (Private)

Yr.	Imports S.R.	Exports S.R.
1802-3	29,56,439	38,64,547
1803-4	31,32,476	52,72,316
1804-5	61,16,945	67,87,441
1805-6	33,10,409	70,79,641

CALCUTTA - PENANG

Yr.	Imports S.R.	Exports S.R.
1802-3	16,78,382	33,31,968
1803-4	12,73,454	19,78,098
1804-5	16,06,633	23,66,409
1805-6	27,90,608	34,80,416

CALCUTTA - SUMATRA

Yr.	Imports S.R.	Exports S.R.
1802-3	5,19,790	3,44,468
1803-4	3,55,763	6,60,681
1804-5	1,49,587	4,23,725
1805-6	7,26,075	4,93,401

(2) CALCUTTA - LONDON

Yr.	Imports S.R.	Exports S.R.
1802-3	48,54,070	1,11,45,261
1803-4	40,41,001	1,08,15,545
1804-5	37,32,165	89,16,188
1805-6	44,97,877	60,99,065

(3) CALCUTTA - AMERICA

Yr.	Imports S.R.	Exports S.R.
1802-3	51,56,031	48,62,147
1803-4	45,12,640	67,60,058
1804-5	39,23,317	33,44,593
1805-6	67,67,910	62,78,055

Footnote (3) Continued:

CALCUTTA - LISBON

Yr.	Imports S.R.	Exports S.R.
1802-3	15,66,744	26,59,588
1803-4	22,95,891	24,66,343
1804-5	15,33,055	25,59,338
1805-6	22,43,119	13,96,343

CALCUTTA - COPENHAGEN

Yr.	Imports S.R.	Exports S.R.
1802-3	5,72,041	2,61,009
1803-4	3,86,867	5,04,619
1804-5	5,51,992	12,36,964
1805-6	7,96,481	6,51,308

Bengal Commercial Reports.

exports over imports in 1803 and 1804 were S.R. 11,96,735 and that of the Danish exports over imports, excluding the large exports from Serampore, amounted to S.R. 8,02,724. The average American export between 1795 and 1802 was S.R. 39,65,450. In 1803-4 it exceeded the average by S.R. 27,94,608 or almost 70%! The Americans were as before abusing their neutral position since the renewal of the Anglo-French War in 1803 and the provisions of the loosely worded Jay Treaty. The Harmony and the Astrea cleared from London, giving a false destination outside the Company's Charter limits and cleared for America from Calcutta but were captured while exchanging goods on the coast of Malay for pepper.(1) The Brigantine Hazard was captured carrying goods for the Dutch East India Company.(2) Though the Americans began to import more into Calcutta than they exported since 1804 it did not mean the end of their clandestine trade. They only shifted their scene of operation to Bombay from where came news of their extensive trade in cotton and Java sugar. It will not be wrong to suppose that some part of the excess of exports over imports in the coastal trade of this period found

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(1) Bengal Foreign Consultations 4 August 1803.

(2) Bengal Foreign Consultations 16 June 1803.

way to England through the Americans.(1) They even appeared in the Mediterranean.(2) British trade was so much affected that Lord Castlereagh, the President of the India Board, had to ask for the immediate formulation of regulations for checking the illicit trade and consider imposition of duties on exports from India in foreign vessels.(3) Messers Fairlie Gilmore & Co's name was again being mentioned in this connection. The Court wanted to know why they had been allowed to remove to Calcutta 440 bales of piece goods lying in the godowns of Serampore if they did not really own them.(4)

Wellesley's Optional loans: The Government itself offered the private capitalists a more lucrative field of investment than indigo

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(1)

CALCUTTA - COROMANDEL

Yr.	Imports S.R.	Exports S.R.
1802-3	11,59,732	36,62,938
1803-4	9,60,657	25,74,156
1804-5	6,57,311	25,29,672
1805-6	9,26,922	24,10,253

CALCUTTA - MALABAR

Yr.	Imports S.R.	Exports S.R.
1802-3	10,75,075	36,30,652
1803-4	5,28,035	31,87,854
1804-5	3,53,594	57,93,196
1805-6	1,79,413	53,60,781

CALCUTTA - GULFS

Yr.	Imports S.R.	Exports S.R.
1802-3	12,60,390	12,13.314
1803-4	7,88,334	10,68,634
1804-5	9,36,431	13,94,275
1805-6	11,68,912	21,85,287

Bengal Commercial Reports.

(2) John Ross to John Turnbull 15 July 1804. Home Misc. 337, pp. 867-75. John Turnbull to John Roberts ibid pp. 877-85.

(3) Lord Castlereagh to Lord Montrose (President of Board of Trade) 29 October 1804 ibid pp. 893-95.

(4) Court to G.G. in C. (Public General) 28 September 1803.

and a safer medium of remittance than the neutral channels. By 1801 the greater part of the public loans, contracted since 1798 for the prosecution of war, had been transferred to the European hands. This was possible not merely because the loans were floated at a high rate of interest but because they possessed certain other alluring conditions which attracted the Europeans more than the opulent natives. Before 1798 transfer of the principal of India debt through bills was restricted by the Charter Act to £500,000 per year at 1s 11d. Uncertain of the amount as well as the time of arrival of bullion from England, Wellesley found himself compelled to make further concessions to the European capitalists to finance the wars with France and Tipu Sultan. Decennial loans were floated in 1798 and 1799 which not only tied the hands of the Government for ten years but provided for the transfer of the principal by bills at 15 months date at 2s 6d the sicca rupee.[1] The first 8% loan, floated in 1799, promised to pay interest in bills (but the principal in India) while the second 8% of 1800 promised both interest and the principal in bills. None of these was payable without 18 months previous notice and not until the old registered debt had been paid off. From 1800 a series of optional loans were floated at 8% which did not ask for a previous notice like the first and second 8% loans but which could demand bills on account of interest

(1) G.G. in C. to Court (Public) 31 July 1798. G.G.'s Minute, Proceedings in the Secret Dept. 20 June 1798.

and the principal at any time.[1] The private capitalists could ask for no better terms than these which assured them a handy and profitable investment, marketable at a premium whenever needed in India, and readily remittable to England when the medium of trade ceased to be profitable. The decennial loans catered for the needs of long term investment and the optional loans for those of liquid capital. Between 1798 and 1803 over six millions of sterling were obtained in such loans. Everybody in Calcutta was happy. The Court alone received the news with a premonition of future troubles which could arise from large unexpected demands on the home funds and urged the Bengal Government to avoid them.[2] The admonition fell on deaf ears, for, Wellesley had already started the Second Maratha War in August 1803 and, throwing caution to the winds (and ignoring a harassed Court which he hated openly), had begun to advertise for optional loans in quick succession.

Castlereagh's plan for liquidation of India debt: The exigencies of the Indian Governments not only proved a windfall to the private merchants but also thwarted the plan for the liquidation of India debt - originally put forward by Dundas, adopted by Castlereagh and modified in consultations with the Court. Dundas had been thinking hard about India debt ever since the Fourth Mysore War had broken out.[3]

(1) G.G. in C. to Court (Separate Financial) 17 December 1808.
(2) Court to G.G. in C. (Public) 10 November 1803 and 22 August 1804.
(3) Dundas to Wellesley 18 March 1799. Owen - A Selection from the Despatches, treaties and other papers of the Marquis Wellesley pp. 696-97.

We have seen earlier how he had been harping on the same theme for quite a while in his correspondence with the Court and Wellesley. Wellesley gave a prior importance to the security of the military resources and considered the investment or the India debt secondary.[1] [2] The investment could be easily made up from the revenues and tributes of the new conquests if only the Court would be more patient[3] and the India debt could be liquidated by funding a small proportion, even a quarter, in England and sending bullion for the remainder.[4] Not convinced by these arguments and despairing of pushing through any military retrenchment, Dundas went back to his earlier plan of debt-transfer. In his last budget speech of 12 June 1801 he detailed this plan and left it as his legacy to the next incumbent at the India Board, Lord Castlereagh, who thought the Peace of Amiens to be the opportune moment for it. Interest on the India debt had increased

(1) "When you have disgraced Lord Clive's government, and driven him home, I advise you to recall me, send Paul Benfield to the government of Madras; and Sir John Macpherson to the government General; you will then have plentiful investments..." Wellesley to Scott 1 October 1801. Add. MSS. 38,765 f. 61.

(2) Wellesley to Dundas 25 January 1800 Add. MSS. 37,275 f. 12.

(3) Wellesley to Dundas 12 November 1800 ibid f. 231, 13 November 1800 ibid f. 233.

(4) Wellesley to Dundas 7 March 1800 ibid f. 17. Wellesley to Lewisham 30 September 1801. Add. MSS. 37,282 f. 258.

from £400,252 to £1,350,000 between 1795 and 1801 and it was a great drag on the surplus revenues and the investment. (1) During three years ending 1794-95, supplies available for commercial purposes in India were on the average £1,350,000 per year. In the year ending 30 April 1801 there was a total deficiency of £1,093,961. The Charter Act's presupposition that £1 million would be available from the Indian surplus revenues for commercial purposes had completely fallen through and the Company had to confront any future emergency with £18½ millions of debt and half a million of revenue deficit. (2) The remittance plan of 1785, 1787 and 1793 had failed since 1798, the total debt transferred between 1798 and 1801 being only £821,020 or £205,255 per year while £4,288 was subscribed in 1802-3 and none at all in 1803-4. (3)

The main proposal of Dundas and Castlereagh was that a sinking fund being a novelty in India and too tedious in operation, the India debt could best be transferred by means of additional investments which would be purchased with bullion sent from England where it would be purchased with funds raised from loans. Bills on the Court would cover any deficiency of funds sent from home. (4) The Company they thought should be relieved of at least £10 millions of debt in five

(1) In Bengal interest had increased from C.R. 35,05,510 in 1795-96 to C.R. 97,15,566 in 1801-2, but with the general revenues the surplus had increased.

(2) Budget Speech of 14 March 1803. The Asiatic Annual Register Vol. V pp. 17-51.

(3) App. 35 Third Report (1811) While £428,499 was subscribed in Bengal during 1798-1801, only £132 was subscribed in 1802-3.

(4) Dundas to Chairman 17 January 1801 Home Misc. 208 pp. 569-33 Castlereagh to Chairman 10 September 1802 Home Misc. 500 pp. 2-13.

years, £2 millions a year,[1] and should be able to resume payment to the public according to the terms of the Charter only £500,000 of which had been received in 1793 and 1794. To achieve this £1 million would be raised from the net proceeds of the Company's London sales on an investment of £4 millions in India and China (to which the nèt surplus Indian revenue would contribute 1 million) while the other million would be borrowed in England at 5%.

The Court, under the Chairmanship of Jacob Bosanquet, a City banker, had other views about the increase of debt. He repeatedly asked the Indian governments to reduce expenses and procure a surplus: "Additional territory is of no real use to us if it brings with it an addition of expense. In short unless you can contrive to cut down our Army establishment, and curtail other expenses so as to give us a clear surplus of at least £500,000 to £600,000 per annum, I shall despair of doing anything effectual for the real improvement of the Company's situation."[2] In his opinion, in the last nineteen years since 1783, "not a single shilling had been realized from these acquisitions, and that except for the produce of the Company's commercial concerns, India would long before this have become a burthen upon the finances of the Mother Country."[3] Such a person would naturally think Castlereagh's

(1) Castlereagh later considered liquidating £12 millions of debt in 6 years.
(2) Bosanquet to Wellesley 11 May 1802 Add. MSS 37,278 f. 90.
(3) Bosanquet to Wellesley 10 September 1802 ibidff. 93-94.

plan too determined and inflexible to be adapted to the circumstances and even unwarranted.(1) Bosanquet considered it more practical to leave the surplus in India for the discharge of debt, to provide in Europe for the purchase of an annual investment of £4 millions by means of bullion, goods and stores and bills, to appropriate the surplus arising from extended sales at home either for the purchase of silver or for payment of additional bills and to act on the plan experimentally for two years. He fundamentally differed from Castlereagh. He provided for the liquidation of one million where Castlereagh provided for two and he depended for it on territorial surplus i.e. ordinary resources and not on extraordinary funds like the increase of the capital stock or bonds which Castlereagh suggested. He was loath to touch the capital stock of the Company with £4½ millions of bills hanging on the Company's head.(2)

Castlereagh challenged his review of trade and his analysis of the profit and loss account. The Company's commercial profit had been about 10.1/3 % in 1800 and 1801 and never higher than 13½% in 1802-3.(3) There had been a clear territorial surplus of £3,281,500 "after paying all charges, many even of a description upon which a considerable doubt may be raised.......particularly the charge of a considerable proportion of the interest." This surplus, "if not

(1) Bosanquet on the state of finances Home Misc. 500 pp. 49-73 and Add. MSS. 13,814ff 1-13. According to him in the last 18 years the territory had produced a deficit of £2,242,978 and commerce a surplus of £5,777,343.

(2) Bosanquet to Wellesley 29 September 1802. Add. MSS 37,278 f. 101.

(3) Castlereagh's Observations on Bosanquet's memorandum 12 November, 1802. Add. MSS. 13,814, f.34.

applied to territory, it is equally natural to suppose has been absorbed by commerce."(1) He was inclined to think that "the capital of the Company as subscribed, even with the usual proportion of bonds in circulation, has not been sufficient .....for the purposes of their trade"(2) and that extension of the capital stock to liquidate two millions instead of one million of debt per year was urgently called for in view of the repercussions of a new war on a narrow money-market.(3) In all this he followed Dundas closely and, as Professor Philips suggests, for very much the same motive i.e. to increase the financial embarrassments of the Company in order the better to control it,(4) and he complained to Dundas about Bosanquet's obstructive tactics.(5)

It must be pointed out, however, his review of the situation was much more correct than Bosanquet's whom he described as "a great coxcomb." Bosanquet committed innumerable self-contradictions in his correspondence with Wellesley. In the very same breath he complained of deficits produced by war and played panegyrics on the Sword - "we owe our safety to the Sword, not to parchments, and we

(1) ibid f. 37.
(2) ibid ff. 33-34.
(3) ibid f. 40.
(4) C.H. Philips. The East India Company 1784-1834 op.cit. pp. 124-25.
(5) Castlereagh to Dundas 19 November 1802 Home Misc. 504 p. 26.

ought to look to that which has carried us through our difficulty." (1) He could not make up his mind whether the territory produced a deficit or surplus. (2) His unequivocal orders for retrenchment were followed by warnings of the French designs whose "exertions will be unabated to destroy our Indian empire, and it will be necessary for our Government to keep a watchful eye upon every mode of access to India, and every measure that may be adopted for our annoyance in that quarter of the globe." (3) Castlereagh was in the same predicament over Wellesley's Carnatic and Oudh policy. (4) But, unsound in devising the solution as a whole, he was sounder than the Court about the problem of the India debt. He did not minimise it, nor did he ascribe its increase solely to territorial deficits and calling upon the Company to increase its commercial capital, he showed his grasp of the economic realities. A commercial Company, which had most of its £6 millions of capital locked up in dead stock and could little rely on a surplus revenue in times of war, had no other way of increasing investment up to £4 millions.

There may be one explanation, however, of the Court's obstructionist attitude. It might have seen through Castlereagh's

(1) Bosanquet to Wellesley 11 May 1802 op.cit. f. 90.
(2) Bosanquet to Wellesley 10 September 1802 op.cit. Contra Bosanquet to Wellesley 17 December 1802 Add. MSS. 37,278. f. 106.
(3) Bosanquet to Wellesley 10 September 1802 op.cit. f. 96.
(4) Castlereagh to Wellesley September 1802. Montgomery Martin. Despatches etc. op.cit. Vol. II p. 75. and Scott to Wellesley 23 April 1802 C.H. Philips (Ed.) The Correspondence of David Scott op.cit. Vol. 2 pp. 394-95.

subtle game and might be trying to checkmate him in a way which would also tie down the hands of a too independent Governor General. Indignant at Wellesley's policy regarding private trade,(1) his expenses on account of the Fort William College and the Government House at Calcutta and loans to indigo manufacturers,(2) the Court was loath to trust him with dearly borrowed money. The plan which was ultimately sent to India in June 1803 was a compromise. An investment of £4 millions - equally divided between India and China - was to be raised from £1 million in bullion, £2 million in goods and stores sent from Britain and £1 million of the Indian surplus revenues. If there were any deficiency in these resources, the Government was to draw bills on the Court. In the next two years for such further sums as were required for a discharge of £2 millions of debts per year, the Government was also to draw bills provided bills on this account and bills on account of investment did not exceed the difference between the value of exported goods, stores and bullion and the sum of £5 millions. With the increase of surplus revenue, bills on the Court were supposed to diminish. The maximum amount of bills thus prescribed included bills on account of the principal of decennial loans and the principal and interest of other remittable loans taken

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(1) Bosanquet to Wellesley, 29 May 1801 Add. MSS. 37,278 f. 83. 11 May 1802 ibid f. 89, 17 December 1802 ibid f. 105.

(2) Bosanquet to Wellesley 29 September 1802 ibid ff. 102-03.

since 1800.[1] John Roberts, the Chairman of the year, repeatedly emphasised this and also that the provision on an investment of £4 millions was to take precedence of all applications of funds and the sums obtained for bills drawn on the investment account should be exclusively used for that purpose.[2] To accommodate the Company, the Government gave up its claims to participation for the time being.[3]

Surprisingly enough the plan was made on the hypothesis of peace prevailing during its operation, trade retaining its old vitality and facilities for getting bullion remaining unimpaired. Even before the despatch was sent, John Roberts wrote about the closure of the Continental market by Napoleon's orders[4] and Bosanquet expressed his regret for the inadequate supply of bullion, advised preparations for the next French attack[5] and finally asked Wellesley to act upon the plan more slowly.[6] Bosanquet was rightly afraid that, with the renewal of war with France, a great part of the bullion sent in 1803-4 (£1,700,000) would be diverted to military purposes on the Coast.[7] Next year only £700,000 could be sent in bullion. Meanwhile the war~~s~~ with the Marathas had been in full swing

(1) Court to G.G. in C. (Separate) 1 June 1803. Professor Philips does not note the difference between the draft and the final despatch. See The East India Company op.cit. pp. 123-24.
(2) John Roberts to Wellesley 17 March 1803 Add. MSS. 37,278 ff. 111-14.
(3) Castlereagh to Chairs 19 February 1803 ibid ff. 119-20.
(4) John Roberts to Wellesley 18 March 1803 ibid f. 123.
(5) Bosanquet to Wellesley 17 March 1803 ibid f. 121.
(6) Bosanquet to Wellesley 17 May 1803 ibid f. 125.
(7) Bosanquet to Wellesley 24 June 1803 ibid f. 130.

since August 1803, and the resources of the State were being severely taxed. The creditors in these circumstances saw their chance of defeating the plan for debt transfer which they considered less profitable.(1) They wanted a transfer in their own time and on their own terms and as the exigencies of direct or circuitous commerce dictated. Even as it was they remitted from Bengal alone C.R. 1,65,27,824 between 1800 and 1805, mostly in interest bills. But for the time being they wanted to retain their principal in India to obtain a difference of 3% in interest provided they also obtained option to transfer the principal at any time. In the midst of his Maratha Wars Wellesley had to accept their terms.

The Second Maratha War: The final victory over Tipu and the treaties with the rulers of the Carnatic and Tanjore had left the Company by 1800 in virtual control of the entire peninsula south of the Maratha states. When in their wake the Nawab of Oudh ceded the districts lying on the eastern, southern and western borders of his Kingdom in commutation of his subsidy (by the Treaty of 20 November 1801), the Company's territorial possessions marched on three sides of the large and chaotic Maratha empire - torn by incessant internecine strife and wild power politics. Wellesley considered it an anomaly, a source of constant danger to the security of his provinces and a hothouse for the French intrigues in India. The treaty of Bassein with

(1) See Prinsep's attack on the plan 29 July 1803. The Asiatic Annual Register vol. 5. pp. 119-123.

the Peshwa on 31 December 1802 and the supplementary treaty, which followed on 16 December 1803, not only brought the head of the Maratha confederacy into the subsidiary system of Wellesley but added Bundelkhund to his acquisitions from Oudh. It was not unnatural for the restive Dowlut Rao Sindhia to draw the only possible conclusion. Like a fish, instinctively trying to break through the inexorable net closing in on all sides, Sindiah and then Holkar tried to break through the subsidiary system which threatened to enmesh the political independence of the Mughal succession states and the irresponsible exercise of sovereign authority by their princely class. They failed not because they did not have well-disciplined and trained armies but because they did not have the economic and psychological resources to withstand the strain of prolonged warfare. When even the Company's finances, with all the resources of a mighty industrial nation, were well nigh broken, it was idle to expect a predatory economy like that of the Marathas to survive far less to win the unequal struggle.

War was declared against Sindiah in August 1803 but the preparations began as early as May 1802 (1) during a flourishing state of the revenues in Bengal. The average sale price of opium had reached the unprecedented height of S.R. 1377 per chest (2) and that of

(1) The Asiatic Annual Register vol. 6 p. 355.

(2) Wellesley to Chairman. 24 December 1803. Really S.R. 1388, G.G. in C. to Court (Separate) 23 March 1805.

salt S.R. 387 per 100 maunds.(1) The Bengal investment for 1802-3 was about S.R. 90,00,000, exclusive of that from the Ceded Provinces,(2) inspite of large supplies to Madras and Canton.(3) All government securities, issued since 1801, bore premium and the discount on the old securities did not exceed 1½%. The premium payable by the subscribers to the new loan of 1803 (to absorb the 12% paper payable at the end of the year) was raised from 2% to 4%.(4) The Government was capable of exploiting the accumulated capital of the private merchants which "cannot be estimated at an amount inferior to sixty or seventy lacks of rupees...."(5) and which was unable to find way to England for stagnation of trade. To "facilitate upon reasonable terms the investment of that capital in the public securities" .. it proposed an increase of the sinking fund and withdrawal of the discredited treasury bills, amounting to 1½ crores of sicca rupees, through the establishment of a paper currency in exchange of deposit of gold in the treasury.(6)

The pressure of war, however, worked in the opposite direction. The premium on 10% loans fell from Rs.7 8 as% in June to 8 as% in October 1803, on new 8% loans from Rs.3% to Rs.1 - 8 as%, on 8% loans

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(1) G.G. in C. to Court (Separate) 1 March 1804, 23 March 1805.
net profit from salt in 1802/3 was S.R. 97,81,459.
(2) Net revenue raised from the Ceded Provinces alone in 1802/3 amounted to S.R. 1,20,50,912. G.G. in C. to Court (Dept. Ceded Prov. Public) 20 October 1803.
(3) G.G. in C. to Court (Public) 11 January 1803.
(4) G.G. in C. to the Secret Committee 9 April 1803.
(5) ibid.
(6) G.G. in C. to Court (Public) 9 June 1803.

of 1800 from Rs 1 - 8 as% to Rs 1% while the premium on the old loans was entirely extinguished.(1) The agency houses in Madras, specially Chase, Chinnery and Macdowal, tried to take advantage of this situation by proposing to supply seven lakhs of pagodas annually for six years repayable by bills on the Court at 10s 3d.(2) Though this was rejected by the Governor General, a deficit of S.R. 1,30,00,000 in Madras and of S.R. 1,00,00,000 in Bombay had to be made good.(3) Another loan was floated in October 1803 at a reduced premium. Inspite of an apparent affluence,(4) the Bengal debt began to rise rapidly - almost a crore and a half being added in 1803-4.(5) The investment was kept up at S.R. 1,11,00,000(6) partly from high profits of the salt and opium monopolies and partly from loans.(7)

Not that victory came late. Arthur Wellesley (later the Duke of Wellington) defeated the combined armies of Sindhia and the Bhonsle rājā at Assaye in September 1803 and forced the latter to sign the treaty of Deogaon on 15 December. Under its terms Cuttack was

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(1) G.G. in C. to Court (Public) 20 October 1803.
(2) G.G. in C. to Court (Public) 9 June 1803.
(3) G.G. in C. to Court (Public) 30 April 1804.
(4) The surplus revenue of Bengal in 1802-3 was C.R. 2,58,12,290 and in 1803-4 C.R. 1,86,73,550.
(5) Bengal debt bearing interest
on 30 April 1803 - C.R. 10,34,54,620
on 30 April 1804 - C.R. 11,63,44,710.
(6) G.G. in C. to Court (Comm[l]) 13 January 1804.
(7) Net profit from salt in 1803-4 - S.R. 1,21,99,390 (Average price S.R. 428 per 100 mds). Net profit from opium in 1803-4 - S.R. 55,24,696 (average price rising to S.R. 1963 per chest) G.G. in C. to Court (Separate) 17 October 1805.

ceded to the Company and the Bhonsle raja accepted the subsidiary alliance. Lake's army won an equally decisive victory in the Laswari Campaign - forcing Sindiah to sign the Treaty of Surji Arjungaon on 30 December 1803. Within five months of the commencement of the Second Maratha War Wellesley seemed to have gained his objective and bewildered his critics at home - the most vehement of whom was Bosanquet at the Court and the most vacillating - Castlereagh.(1)

This fait accompli temporarily saved the political situation in England but could not save the financial impasse in India. The army was never completely withdrawn from the field and at the beginning of 1804-5 war was declared on Holkar. To rapidly increasing military charges(2) marine charges were added when commerce (and opium revenue) had to be protected from Admiral Linois's fleet prowling in the Indian ocean. Inspite of additional resources of the provinces conquered from the Marathas,(3) Bengal revenues did not increase as salt and opium sales were affected, the former because of a fall in price(4) and the latter in reaction to excessive exports to the Eastern market for several years combined with losses inflicted by the French privateers. The Government had again to fall back on loans at 10%.

(1) Scott to Wellesley 11 May 1804 C.H. Philips The Correspondence of David Scott op.cit. vol. 2. p. 439. Scott to Wellesley 14 May 1804 ibid p. 440. Even Addington was prepared to sacrifice Wellesley to keep his Parliamentary supporters belonging to the Company interest.

(2) Military charges in Bengal rose from £2,377,888 in 1802-3 to £3,743,868 in 1805-6; in India from £6,000,000 to £9,000,000. App. 6 Second Report (1810)

(3) They yielded a net revenue of C.R. 96,32,580 in 1804-5. Revenue from the Ceded Provinces went up to C.R. 1,55,45,640. Yet the surplus revenue of Bengal was C.R. 1,87,24,160.

(4) Net salt revenue in 1804-5 amounted to S.R. 1,13,25,752 (average price S.R. 356 per 100 maunds) G.G. in C. to Court (Separate) 7 June 1806.

for two years without any premium at all, (1) the Nawab Vizier of Oudh had to be persuaded to offer a 'voluntary' loan of 30 lakhs without interest (2) and the European investment for 1804-5 was curtailed to 60 lakhs. (3) On 30 April 1805 Bengal debt bearing interest stood at S.R. 13,36,65,940 - an increase of three crores in two years. (4)

Wellesley's departure: The war with Holkar came to an end in December 1805 five months after Wellesley had handed over charge to Lord Cornwallis. The Court had been pressing for his recall for a long time and Pitt's Ministry, in power since early May 1804, could not but agree to spare it further acts of arrogance and insubordination. Wellesley knew that his attitude towards private trade had earned him the implacable hatred of the Court. (5) Though he studiously denied any undue influence of the Bengal merchants, (6) the Court was not to be weaned from its conviction of his complicity with them and it followed all his measures with a settled bias. Scott informed him that the Court was fulminating against the Fort William College because of its resentment over private trade. (7) He was prepared to go as early as 1802 (8) but only his sense of an unaccomplished

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(1) G.G. in C. to Court (Public) 30 April 1804.
(2) Wellesley to Court 28 March 1805.
(3) G.G. in C. to Court (Comm^{l}) 18 January 1805.
(4) App. 7, Second Report.
(5) Wellesley to Addington 13 March 1802 Add. MSS. 37,282 f. 375.
Wellesley to Dundas 13 February 1803 Add. MSS 37,275 ff. 250-51.
(6) Wellesley to Scott 28 March 1802 ibid f. 407 Scott to Addington 26 August 1802 C.H. Philips The Correspondence of David Scott op.cit vol 2 p. 401.
(7) Scott to Wellesley 23 April 1802 ibid p. 394.
(8) Wellesley to Scott 17 March 1802 ibid p. 390.

mission made him stay on to put Indian finance in order. The President of the India Board requested him to do so after Scott and Dundas intervened in his favour.(1) But Castlereagh's term was one of half measures and the Court kept the Board under its influence.(2) The Maratha war came hotly on the heel of the Treaty of Bassein almost as Bosanquet had predicted. The plan of debt transfer was disrupted, finance once again strained for what seemed an unnecessary military adventure and commerce left without support. Financially and commercially, the result was too disastrous for the Company to continue Wellesley as the Steward of the Indian Empire.

In return for an average annual export of £2,004,260 in bullion, goods, stores and bills the Court received from India an average investment of £1,406,900 during 1798-1805.(3) There has been no surplus revenue

(1) Dundas to Scott 13 September 1802 ibid p. 404 and Castlereagh to Pitt 11 September 1802 Home Misc. 504 pp. 1-2.

(2) Scott to Wellesley 14 May 1804 C.H. Philips. The Correspondence of David Scott. op.cit. vol. 2 p. 440.

(3)

INDIA
1798-1805

App. 5 Third Report
Bullion sent to India
£5,079,793; average £634,974

App. 8 ibid
Goods and Stores: value
received £4,580,478 av. £572,559

App. 6 ibid
Bills drawn on General
ac/. £3,369,973; av. £421,246

App. 6 ibid
Bills drawn on debt
ac/- £3,003,848; average £375,481

£2,004,260

Investments during 1798-1805
£11,255,206; average £1,406,900.

BENGAL
1798-1805

Bullion sent to Bengal
£2,742,908; average £342,863

Goods and Stores value
received £1,946,379; average £243,297

Bills drawn all ac/-
£2,201,680; average £275,210
(App. 26 Fourth Report)

£861,370

in India since 1797 except in 1802 and in 1805 the deficit stood at £2,268,608. The total India debt had increased meanwhile from £11 millions to over £28 millions. It was not unnatural for the Court to refuse to see with Wellesley prosperity round the corner of the next military triumph.(1) The extension of the empire must either justify itself in terms of large investments and larger dividends or be given up as a ruinous luxury.

Failure to revive Monopoly: Inspite of its vigorous efforts to revive its monopoly, larger investments were not forthcoming. In 1802 the defeat of the private traders seemed to be a good augury for the future specially occurring during the lull of the Peace of Amiens which was supposed to deprive the Americans of their advantages of neutrality. The Company tried, therefore, to recapture the muslin market of France and the home silk market (from the Italian competition). The prospect of calicoes was not bad either, the British cotton industry being still unable to make stout cloth for such cheap prices as the Indians could, mainly because of lower labour cost in India. Repeated orders went out to Bengal

(1) Wellesley to Dundas 25 December 1803 Add. MSS. 37,275 f. 258.

to raise the investments in piece goods and raw silk.[1] A similar attempt was made to monopolise the cotton market of China with the bountiful produce promised from the newly Ceded Provinces.[2] Even Sunn and hemp were retained.[3] It was forbidden to assist indigo manufacture at the cost of raw silk investment[4] and other regulations were ordered to make the private traders' position difficult.[5]

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(1) Court to G.G. in C. (Comm[l]) 30 June 1802, 4 May 1803, 24 August 1804 and 31 August 1804.

Year	Indent for cloths S.R.	Quantity (pieces)	
1802	66 lakhs	Muslin	163,220
		Calicoes	671,800
		Prohibited	166,800
1803	60 lakhs	Muslin	146,695
		Calicoes	695,100
		Prohibited	168,800
1804	56 lakhs	Muslin	140,445
		Calicoes	650,000
		Prohibited	170,900
1806	45 lakhs	Muslin	95,440
		Calicoes	424,800
		Prohibited	188,000

(2) Court to G.G. in C. (Comm[l]) 24 August 1804. 6 November 1805. 12 February 1806.

(3) Court to G.G. in C. (Comm[l]) 31 August 1804, 18 January 1805.

(4) Court to G.G. in C. (Comm[l]) 8 September 1802. 31 August 1804.

(5) Court to G.G. in C. (Public) 20 June 1804.

Yet the Court did not succeed. The returns from India and China during 1803-4 and 1805-6 fetched only £5,714,812 per year on average.(1) The Court put the blame on extensive private import of piece goods and raw silk of debased quality.(2) It is true that the indigo crisis of the early years of the nineteenth Century forced the private traders to invest in piece goods and raw silk with inevitable repercussions on the Company's sales. But the private exports in piece goods began to decline from 1803. They were not solely responsible for the Company's failure to revive the monopoly. With the renewal of war in 1803, the main precondition of success was gone. The Americans began to exploit the war situation again,

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(1) App. 22 & 25 Fourth Report(1812)

(2) Court to G.G. in C. (Comm[l]) 4 July 1804 and 19 June 1805. Also see A Memoir on the Trade to and from India etc. Home Misc. 406 pp. 381-485.

Private export of Commodities to London

Year	Piece goods S.R.	Raw silk S.R.	Indigo S.R.	Sugar S.R.
1801-2	66,68,290	1,70,906	37,71,407	2,17,899
1802-3	64,70,203	2,95,050	27,79,100	2,30,727
1803-4	48,72,016	9,56,444	42,29,921	672
1804-5	12,28,637	12,23,363	60,28,524	116
1805-6	3,31,582	7,87,106	45,23,124	54,478

Bengal Commercial Reports 1801-1865

the French government became more vigilant against British imports and the advance of the British manufacture did the rest. With the aid of cheap West Indies cotton - Manchester had cheapened production by 20 to 30% - it had even excelled in making finer goods which had a demand in Paris or Versailles.(1) With great dismay the Court reduced its indent for piece goods from 66 lakhs in 1802 to 45 lakhs in 1806. Promulgation of the Berlin decree on 21 November 1806, the series of countervailing Orders in Council which started on 7 January 1807, and the retaliatory Milan decree of 1807 sealed its re-export market finally.(2) The Court had fallen between Napoleon and Lancashire and, chary of relying on raw silk alone for its remittance from India, which an impecunious Bengal government could hardly procure to the amount of the indent,(3) took up indigo from 1806.(4) The agency houses in Calcutta, who financed the extensive indigo manufacture of Bengal, could breathe again.(5)

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(1) Court to G.G. in C. (Comml) 4 July 1804 and 23 July 1806. Price of No. 100 cotton yarn was 38s. per lb. in 1786, 15s 1d. in 1793, 8s 4d. in 1802 and 7s 2d. in 1806. E. Baines The History of the Cotton Manufacture, op.cit. p.357.

(2) E. Hecksher, The Continental System, pp. 83-84. In 1798 the Company sold £3 millions worth of piece goods, in 1807 it sold only £433,000 worth. Third Report 1810 App. I. [redacted]

(3) The Company's average indent was for 4000 bales but it received 78,950 lbs in 1802, 336,189 lbs. in 1803, 415,917 lbs. in 1804, 460,303 lbs. in 1805 and 235,215 lbs in 1806 respectively. Reports and Documents connected with the Proceedings of the E.I. Company in regard to the culture and manufacture of Cotton wool, Raw silk and Indigo in India 21 December 1836.

(4) Court to G.G. in C. (Comml) 30 July 1806.

(5) John Palmer to Henry Trail. 29 September 1808. Palmer Papers C. English Letters. Vol. 68 f.97 Bodleian Library, Oxford.

After-effects of the Maratha War: Lord Cornwallis, a good general and a better financial administrator, was sent in 1805 to wind up Wellesley's Maratha War as well as to recoup the Company's finance and commerce as he once had done in 1788. The latter seemed to be the graver problem and the new Governor General found it harder to tackle in view of the renewal of war with Sindiah, grown bold since Monson's debacle and Lake's stalemate before Bharatpur. Regular troops were in arrears for five months, the Commissariat for still more, and to pay them, the irregular troops must be disbanded. He had to call for treasure from Madras and detain treasure destined for China, extensive opium trade with which was now sufficient to provide the supra cargoes with funds.(1) This was, however, received too late to enable the timely despatch of ships to England(2) and Cornwallis himself died in October on his way to the front. Sir George Barlow, Wellesley's Vice President in Council, and suspected by the Court to have toed his line on private trade, took over on 10 October 1805. Immediately he tried with Lake to secure an honourable peace after which a prompt reduction in expenses of the irregular troops could be effected.(3) In an endeavour to re-establish himself in the Court's confidence Barlow reduced the expenses of the Fort William College, abolished certain posts and the Commercial

(1) Cornwallis to Court 1 August 1805, 9 August 1805.
(2) G.G. in C. to Court (Public) 5 October 1805.
(3) Barlow to Secret Committee 2 February 1806.

residencies of Bareilli and Etwah, laid up the gun boats, closed the Company's press and retrenched the Church and the Botanical Garden establishments.(1) Salt revenue was to be increased by larger sales (addition of the Maratha salt province of Cuttack made this possible) and more stringent regulations against smuggling.(2) Opium prices, which had fallen from S.R. 1963 per chest in 1803 to S.R. 1510 in 1804 due to the competition of Guzerat opium, were to be restored.(3) Yet the surplus revenue of Bengal fell to C.R. 61,04,720 and the investment for 1805-6 could not exceed 60 lakhs.(4) Inspite of a liberal supply of bullion from England, a biennial loan at 10% in October 1805, and the end of war, Barlow estimated for 1806-7 a probable deficiency of nearly two crores.(5) In March 1906 6% paper showed a discount of Rs. 7-8%, old 8% - Rs. 2%, new 8% - under Re. 1% and treasury bills - Rs. 2-8%. Only the 10% biennial loans showed a small premium.(6)

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(1) G.G. in C. to Court (Public) 3 February 1806.
Barlow "displayed in every public advertisement and introduced into every secret despatch" "the determined spirit of penury" inculcated by Castlereagh. Owen's Despatches op.cit. p. 804.

(2) G.G. in C. to Court (Separate) 17 October 1805.

(3) G.G. in C. to Court (Separate) 14 February 1807. The British Government ultimately persuaded the Portugese Government to prohibit export of Malwa opium from Goa. See G.G. in C. to Court (Public) 7 June 1806.

(4) G.G. in C. to Court (Public) 13 March 1806.

(5) G.G. in C. to Secret Committee 14 March 1806.

(6) Barlow to Chairman 22 March 1806.

Barlow's Proposals: The Government proposed three measures to bolster its credit - the import of more bullion from England, the floating of an 8% loan and the issue of treasury notes at 10% to absorb the discredited treasury bills and the establishment of a bank at Calcutta. It would be "of the greatest service to the commercial interests of this Presidency" and would "afford the most essential aid to all the financial operations of this government, by defeating the measures and combinations to which the numerous individuals at this Presidency, who possess an extensive command of money, invariably resort, for the depreciation of public securities, whenever an opportunity is afforded to them for that purpose, by the pressure of public or private distress." [1]

What Barlow aimed at was an apparent reassertion of the Company's interests against the agency house interests. This was playing safe after Wellesley's blatant championship of the private traders' cause. No doubt his government needed bullion badly. For the first time since ~~the assumption of the Diwani~~ 1793 Bengal had suffered a deficit of C.R. 13,16,770 and the Indian deficit had risen to £3,152,322.[2] Madras was still under the clutches of the agency houses who had been exacting all sorts of concessions (like permission to transfer 8% paper to a 10% loan and transfer the

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(1) G.G. in C. to Court (Public) 13 March 1806.

(2) Net revenue from salt fell to S.R. 88,26,522 (average price - S.R. 319) though net revenue from opium began to rise again. It afforded S.R. 59,76,169 (average price - S.R. 1510 per chest).

latter to Bengal or England). Bombay allowed Forbes & Co. and Bruce Fawcett & Co. to do the same, issued treasury bills at $9\frac{1}{2}\%$ with 2% premium and reduced the freight of the China ships to accommodate the private cotton traders.(1) Madras and Bombay had to be saved and the Indian deficit, mainly caused by military charges, made up. It was true again that the Government had been suffering a loss on exchange and from advance in the price of investment following payments in discredited treasury bills. But the import of bullion or the discontinuance of treasury bills or the establishment of a bank was going to help the private capitalists none the less. Apart from speculation, the exigencies of foreign trade and indigo manufacture often forced the agency houses to sell out public securities on a large scale which caused their depreciation and thus loss to the Company's servants who had invested in them. Import of bullion and the establishment of a bank would obviate the necessity for large scale sale of public securities. The bank would afford the agency houses easy credit while the proposed issue of treasury notes would offer a field of investment for the capital which had been accummulating due to stagnation of trade with Europe and America. Withdrawal of the discredited treasury bills would lead to the appreciation of such notes and save the agency houses from acceptance of interest or

(1) G.G. in C. to Court (Public) 7 June 1806 and 14 February 1807.

price of indigo in a depreciating paper.(1) Barlow and Wellesley pursued the same end, only their means differed and Barlow was more tactful.

The arrival of bullion in July 1806 enabled the Government to bring securities to par and discharge the Oudh debt(2) but the disbursements were so great again that Bengal could not increase her investment beyond 67 lakhs in 1806-7.(3) Though measures were taken to disband the irregular troops and reduce pensions, debt had to be enhanced by S.R. 2,19,60,102 mainly by the issue of treasury notes at 10% and a loan at 8%.(4) 10% notes and loans alone totalled S.R. 3,45,19,000 and some sort of funding at a lower rate of interest was absolutely imperative if finance was to be stabilised and investment to be maintained at the old level in future.(5)

Funding of debt: The Government began funding its 10% debt at 8% by opening an 8% loan at 3% discount - allowing subscription of the 10% notes and loans at par. As further inducement it allowed 10% interest up to November 1807, granted interest bills on the Court at 2s 6d at six months sight and bills for the principal at 12 months sight. To facilitate this operation, interest on the treasury notes was reduced to 8% and the investment was stopped

(1) Letter addressed by Merchants of Calcutta to G.G. in C. 30 December 1805. Public Consultations 9 January 1806.
(2) G.G. in C. to Court (Public) 23 July 1806.
(3) Barlow to Elphinstone 16 October 1806.
(4) App. 7 Second Report (1810) puts the increase of Bengal debt in 1806-7 at C.R. 2,46,36,820.
(5) G.G. in C. to Court (Public) 18 February 1807.

till, at its end, only one of 50 lakhs was somehow scraped.[1]

This optional loan, floated against the positive orders of the Court,[2] enabled Barlow to fund the huge floating debt of Bengal but the second binnial loan (of 1805) could not be absorbed as expected.[3] When he tried to fund this with supplies from Canton, Madras and Bombay and another 8% loan, the creditors who looked askance as this funding business (which reduced the rate of interest and hence their margin of profit),[4] exacted again the option to transfer the principal~~s~~ to England at the still further reduced sight of 3 months.[5] Bengal had turned the corner. She had reduced the rate of interest, got rid of most of her floating debt, reduced the principal of bond debt[6] and almost stabilised the public securities. But all this was achieved at the cost of the home finances. We soon find the bills coming home to roost and starting something like a chain reaction which ended in the abolition of the India monopoly.

Gilbert Elliot, the first Earl of Minto, succeeded Sir George Barlow in 1807. His assumption of power coincided with the Peace of Tilsit between Napoleon and the Czar of Russia which roused once more the apprehension of an overland French invasion of India

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(1) Ibid.
(2) Court to G.G. in C. (Public) 23 July 1806.
(3) G.G. in C. to Court (Separate, Financial) 23 April 1807.
(4) G.G. in C1 to Court (Financial) 20 October 1807.
(5) G.G. in C. to Court 12 February 1808.
(6) But debts transferred from other presidencies swelled it to C.R. 17,25,57,040 in 1807-8 - an addition of C.R. 51,29,300.

through Persia. The time was not propitious enough for securing a revenue surplus of £1 million and Minto did not see in Barlow's policy of retrenchment the remedy of the financial ailment. He was convinced that "retrenchment of civil establishments though not to be neglected, can afford no supply adequate to the great object of meeting the general exigency of the Company's financial situation"(1) and that further reduction of emoluments "would have the effect of countenancing abusive profits."(2) Secondly, war with France, even with the limited objective of reducing the Portugese and the Dutch Settlements, could not be financed without supplies from England,(3) far less if preparations to resist the overland French invasion were added when the Indian deficit still stood at £309,122.(4) He warned the Court that "pending a French invasion of India, no surplus but, on the contrary a great increase of debt is to be expected and provided for." This was not India's fault. "It is to disasters of Europe, to battles in Poland, to the peace of Tilsit, that the necessity of waging a burthensome war in India must be traced." Besides the augmentation of military charges and durbar charges which it produced,(5) the decennialloan

(1) Minto to Mr. Elliot of Wells 4 September 1809 Lord Minto in India - Life and Letters of Gilbert Eilliot, First Earl of Minto from 1807 to 1814 etc. Ed. by the Countess of Minto, Longmans, Green & Co. 1880 p. 354.
(2) ibid p. 355.
(3) Minto to Sir Edward Pellew 1 November 1807 ibid pp. 52-57.
(4) Bengal had a surplus of C.R. 2,21,07,750 in 1807-8.
(5) Minto was referring to the missions of Harford Jones and Malcolm to win over Persia to the cause of Britain which were being financed from Bengal.

of about two crores in Bengal had to be paid off in 1808 and 1809. "We can provide for our own contests by our own resources; but the contests of the empire can not be maintained by one of its provinces, for, although Asia may become the field of battle, the war is purely European. The quarrel is European, the war is waged for European interests; and it is proportioned in its extent, and therefore in its charge to the resources of two great empires and not to the limited and circumscribed means of the East India Company's territorial possessions."(1)

Trade depression: For a long term remedy Minto suggested extension of free trade.(2) Unfortunately, however, trade with the West declined markedly from 1807 and the decline degenerated into a depression in 1808.(3) There were several causes of this decline. Private exports from Bengal, of which indigo formed the largest part before 1800, could not bear "high freights, long outlays and heavy expenses..."(4) The Calcutta merchants complained of high freights charged by the Company(5) and similar complaints were made by the agency houses in England before the Commons Committee on East India Affairs in 1809.(6) According to them the Company raised the rate of extra ships from

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(1) Minto to Chairman 21 May 1808.
(2) Minto to Robert Dundas December 1808. Lord Minto in India op.cit. p. 362.
(3) "I would sooner sell my Father on the Spot, than send him to you on speculation." John Palmer to H. Trail 21 September 1808. Palmer Papers op.cit. vol. 68, p. 64.
(4) John Palmer to Jacob Rider 2 June 1808 and also John Palmer to H. Trail 6 June 1808 ibid. p.8 and p.9.
(5) The Memorial of the Calcutta Merchants 27 November 1807 No. 23 App. 47. Fourth Report (1812).
(6) No. 2 to No. 14. ibid.

£14 per ton to £22. 10s. per ton in 1805 and 1806 and enforced it retrospectively. Secondly, the extra ships were not sent in proper seasons and the merchants were compelled to accept tonnage on the regular ships in 1805-6 at £44. In 1807 the extra ships failed to appear again and regular ships were offered at £30. 10s. The freight of £44 per ton on cotton, sugar and hemp was prohibitive and even £22. 10s. on extra ships increased the price of hemp by 11½% and of sugar by 7¼%. Insurance had to be made upon ship or ships from India instead of upon a particular ship carrying the goods insured.(1)

The Court had no difficulty in showing that it was war really which occasioned high freight and the irregularity of voyages.(2) It denied charging more in 1805, explained its inability to send extra ships in 1806 for reasons of State - they were sent by the Commander-in-Chief to reduce Cape of Good Hope - and thought it made ample amends by offering regular ships at £31. 10s. in 1807. Who were the people like the Fairlies to challenge it when they themselves demanded £19 and £21 in 1803 and 1804 for the India-built ships and, as directors of the insurance companies, mulcted the private traders themselves? In fact, it was the same Continental

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(1) CALCUTTA - LONDON (Private Trade)

Year	Imports S.R.	Exports S.R.
1806-7	64,81,421	90,34,869
1807-8	39,31,929	84,25,199
1808-9	36,88,629	72,83,021
1809-10	36,58,895	80,28,920

Bengal Commercial Reports 1806-9.

(2) Court to G.G. in C. (Comm^{l}) 28 June 1809 and "Observations on the evidence before the Commons Committee" 24 January 1810. No. 16 App. 47 Fourth Report (1812).

System of Napoleon, which restricted the Company's exports since 1806, also restricted the private exports to London. Improvement of the British cotton manufacture affected both equally. Trade with London would not answer even in the case of indigo and silk,(1) the latter because of the Company's policy of exclusion.(2)

Foiled in their attempt to drive a profitable trade with London, the merchants and private capitalists turned to foreign trade - with little success. Trade with Copenhagen showed an excess of exports in one year only, 1806, and after the seizure of Serampore at the outbreak of war with Denmark in 1808, it petered out. Trade with Batavia and the Isle of France, clandestinely conducted under the Danish flag, could not be continued. The Portugese imported more in each year till Napoleon's invasion of the Iberian Peninsula stopped their direct trade altogether. Trade with Manilla, monopolised by them in recent years, met with the same fate. Last of all Jefferson's embargo caused a complete stoppage of the American trade in 1808 after it had been considerably curtailed in 1807.

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(1) Private Exports:- Calcutta - London

Year	Piece goods S.R.	Indigo S.R.	Sugar S.R.	Silk S.R.	Cotton S.R.
1806-7	8,09,208	59,31,390	33,714	11,20,999	3,92,206
1807-8	2,24,641	72,07,505	-	3,14,565	2,03,428
1808-9	2,83,703	59,46,117	-	5,50,504	1,07,014
1809-10	5,28,831	35,07,753	19,025	8,58,451	20,25,227

Bengal Commercial Reports 1806-9

(2) John Palmer to Blane 8 November 1808. Palmer Papers op.cit vol. 68 p. 155.

Moreover the general pattern of trade with the foreign countries had entirely changed. It was no longer financed by private remittance. On the contrary it seemed to have been made the medium of capital import in recent years, after the Court had virtually banned the India-built shipping.(1) The reason is not far to seek.

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(1) CALCUTTA- COPENHAGEN

Yr.	Imports S.R.	Exports S.R.
1805-6	7,96,481	6,51,308
1806-7	2,42,777	4,78,153
1807-8	6,64,887	4,76,999
1808-9	1,23,991	x
1809-10	x	x

	CALCUTTA - LISBON		CALCUTTA - BRAZIL	
Yr.	Imports S.R.	Exports S R.	Imports S.R.	Exports S.R.
1805-6	22,43,119	13,96,343	-	-
1806-7	22,09,621	13,94,867	-	-
1807-8	22,06,359	21,28,688	-	-
1808-9	x	x	-	-
1809-10	x	x	10,21,400	8,37,100

CALCUTTA - U. S. A.

Yr.	Imports S.R.	Exports S.R.
1805-6	67,67,910	62,78,055
1806-7	1,09,92,970	90,27,472
1807-8	58,29,063	71,13,281
1808-9	x	5,71,218
1809-10	69,92,565	68,02,489

CALCUTTA - MANILLA

Yr.	Imports S.R.	Exports S.R.
1805-6	3,06,915	9,84,956
1806-7	x	4,25,207
1807-8	x	x
1808-9	2,05,596	12,72,615
1809-10	21,58,627	6,99,323

Bengal Commercial Reports.

As the Government demands had demuded the Bengal money-market of funds, the agency houses, unable to afford such high rates of interest, looked towards import of capital through the foreign channels.

It was this aspect of Bengal's foreign trade which raised a controversy between Charles Grant on behalf of the monopoly interest and Francis Baring on behalf of the City interest. When the Court objected to the American trade in Eastern goods in the West Indies (1), the American import of Turkish opium in China (2) and the American attempts to monopolise the carrying trade in the Eastern seas and the coastal and country trade of India (3) and proposed prohibition of all except direct trade, enhancement of duties and restrictions with regard to piece goods, silk and indigo (4), Francis Baring opposed these proposals as based on "the narrow principles of a haberdasher's shop." Apprehending the loss of American customers for India and China bills and the loss of an avenue of capital-export, Baring condemned the talk of countervailing duties which might be frustrated by France's opening the European ports and would be untenable in peace time. If the Company attributed

(1) Chairs to Castlereagh 28 November 1805 Home Misc. 439, p. 189.

(2) Alexander John Ball, Governor of Malta to John Turnbull 18 March 1805 ibid pp. 199-200.

(3) The Committee of Correspondence 24 October 1806 Home Misc. 337 pp. 899-925.

(4) Elphinstone and Parry to George Tierney 24 December 1806 ibid pp. 929-32.

superiority to the American vessels and asked for facilities to compete with them...."what conclusion will be drawn? That the disability arises from our constitution, that for British subjects to have a fair chance, the trade must be thrown open? Is this opinion not gaining ground? Is it not commercially speaking unanswerable?"(1) When Charles Grant accused the Americans of using more capital lately to capture the India trade,(2) Baring attacked him as "...in 1793 the advocate of private trade, against the Company, in 1801 maintaining the cause of the Company and foreign trade against private individuals, and in 1807 arguing for private traders against foreign nations."(3) The contradiction between a commercial monopoly, which thrived on restrictions on capital movement, and the City interest, which thrived on profitable movement of capital, was emerging.

In 1807 the monopolists had the upper hand and the Court sent a despatch to India strictly prohibiting any but direct trade to the Americans.(4) In 1808 it ordered an imposition of double duties on foreign vessels.(5) The Bengal government had other ideas, however, about the American trade. Nothing was done in the matter of customs

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(1) Baring to Court 15 September 1807 ibid pp. 937-53.
(2) Edward Parry and Charles Grant to Baring 14 October 1807. Home Misc. 494 pp. 5-113.
(3) Written about 4/5 January 1809. Home Misc. 494 p. 293.
(4) Court to G.G. in C. (Separate, Customs) 6 November 1807.
(5) Court to G.G. in C. (Separate, Customs) 3 August 1808.

till the Court reaffirmed its orders on 28 March 1810.[1] It was not before 1811 that the new customs regulations could affect American trade when, owing to the outbreak of the Anglo-American War, they were of little avail. In one sense the American trade in these years was some help to the Company for it canalised a portion of the private remittance which might otherwise have been demanded in bills.

Remittance through bills: The private capitalist had failed to expand export trade to London due to high freight and insurance, closure of the Continental market and the improvement of the British cotton manufacture. They had failed alike to utilise the medium of foreign European and American trade due to the extension of war to Denmark and Portugal and Jefferson's embargo on the American commerce. Ultimately they fell back on the remittance of the principal of the optional loans. In the earlier period they could manage with the remittance of interest alone: "Not a lakh of rupees of the principal of such loans had been transferred to England from 1801, to 1805 though the lenders obtain a good exchange rate."[1] Due to a dispartiy of interest rates between England (usually 5%) and India (usually 9 to 10%), it was more

(1) G.G. in C. to Court (Separate) 26 December 1810. John Palmer thought it was so imposed to injure the private traders. John Palmer to H. Trail 3 July 1811 Palmer Papers op.cit. Vol. 79, p. 196.

(2) G.G. in C. to Court (Separate Financial) 23 April 1807.

profitable to retain the principal in India and remit the interest in bills.[1] In 1807 a concatenation of two causes conspired to change the situation. One was the anxiety over the French invasion and the other, the stagnation of trade. The funding operations of Barlow and Minto precipitated the change by narrowing down the margin of difference between the Indian and the British interest rates - at a time when the exigencies of large capital exports from England, caused by war expenditures of the British Government, were forcing up interest in the London money-market.[2] All these circumstances led to a hectic transfer of the principal of the decennial and optional loans which threatened to swamp the Court under bills into bankruptcy.

Minto funds debt: The Court had ordered the Bengal Government to stop floating optional loans[3] and to retain as much of the principal in India as possible "for the present state of Europe, which in a manner unprecedented, obstructs the vent of the Company's Indian investments, renders it more than ever essential to the convenience of our affairs at home, that no extraordinary pressure on account of the Indian debts should come upon us."[4] Minto, however, proceeded with the funding of the decennial loans and the old registered debt with

(1) G.G. in C. to Court (Separate Financial) 20 September 1808.
(2) W.W. Rostow. op.cit. p. 15. Also A.D. Gayer, W.N. Rostow and A.J. Schwartz. The Growth and Fluctuation of the British Economy 1790-1850. Oxford 1953 Vol. I pp. 103-7.
(3) Court to G.G. in C. (Public) 23 July 1806
(4) Court to G.G. in C. (Separate Finance) 9 December 1807.

a new 8% loan without option which further precipitated the consequences apprehended by the Court. Minto did so with the best of all intentions. He had plenty of money at his disposal. Bengal revenue had a smaller surplus in 1808 than in the previous year but still it was C.R. 1,91,75,340 and the revenue deficit in India amounted to £26,042 only. The Government's credit was high and it could reduce exchange to 2s 4d.[1] There was such an abundance of capital in Bengal, rising from the profits of opium and coastal trade, and seeking fruitful investment, that the Bank of Bengal reduced its rate of interest from 10 to 9%.[2] In these circumstances Minto hoped

(1) John Palmer to J. Richardson 2 December 1808. Palmer Papers op.cit Vol. 69 p. 34.

(2) G.G. in C. to Court (Separate Finance) 14 May 1808 also John Palmer to Sir Francis Baring 24 August 1808. Palmer Papers op.cit. Vol. 68. pp. 38-39.

Year	Imports S.R.	Exports S.R.
	CALCUTTA - CHINA	
1806-7	38,40,209	47,10,513
1807-8	51,57,950	69,43,049
1808-9	57,85,467	69,85,626
	CALCUTTA - PENANG	
1806-7	32,26,686	17,34,394
1807-8	21,31,999	24,54,308
1808-9	29,25,184	24,88,012
	CALCUTTA - MALABAR	
1805-6	1,79,413	53,60,781
1806-7	3,04,718	50,18,260
1807-8	1,81,778	38,00,520
1808-9	12,93,175	43,04,785
	CALCUTTA - COROMANDEL	
1805-6	9,26,922	24,10,253
1806-7	12,46,357	44,50,872
1807-8	16,27,466	41,42,420
1808-9	6,83,760	13,01,984
	CALCUTTA - GULFS	
1805-6	11,68,912	21,85,287
1806-7	17,97,049	34,38,320
1807-8	18,61,494	28,34,410
1808-9	6,62,637	20,69,325

to absorb the burdensome optional loans into one consolidated debt which involved payment of the principal in India alone and thus to take off a great load from the Court's back. Naturally he had to start with the funding of the decennial loans and give notice of payment to the first and second optional loans before he could tackle the thirteen optional loans taken since 1800.(1) The new 8% loan, floated for this purpose, was to accept subscriptions of the registered debt at 5% discount and the decennial loans at par. The former was at once absorbed as the conditions were very alluring and the latter took a little more time as they earned a higher interest. The principal of the India debt was reduced by S.R.1,07,37,738 in this process.(2) But the creditors took fright and began to demand transfer of the principal of the optional loans by bills. Between May 1808 and March 1809 the transferred India debt amounted to £3 millions.(3)

The Parliamentary review:

This was too much for the Company's home finance which had been showing deficits since 1806. As W. Ramsay, the Secretary to the Court,

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(1) The Company's loans were paid in consecutive order. The old registered debt came first, then the decennial loans of 1798 and 1799, then the first and second optional loans of 1799 and 1800, and last of all the thirteen optional loans taken since 1800. In 1808 the old registered debt amounted to S.R. 1,43,40,000, the first optional loan to S.R. 32,13,800, the second optional loan to S.R. 1,17,62,300 and all other optional loans to S.R. 9,54,46,100 See G.G. in C. to Court (Financial) 17 December 1808 and 13 January 1810.

(2) G.G. in C. to Court (Financial) 20 April 1809.

(3) ibid. Bills from Bengal amounted to C.R. 15,93,803 in 1806, C.R. 27,59,515 in 1807 and C.R. 1,23,57,973, in 1808.

explained, the Company had sent out £2,712,526 more in goods, stores and bullion between 1803 and 1806 than in the three preceding years and had met the increased home charges (i.e. the political charges of the Indian governments paid out of the home treasury) of £2,191,497 between 1799 and 1807 while its sales had fallen off by £3,268,671 between 1803 and 1806. The Indian investment fetched only £1,309,497 in 1807-8.(1) It met the deficit in 1806 out of £1 million paid by the government towards its account with the Company. In 1807 the Parliament empowered it to raise bond debts by £2 millions instead of adding £1 million to capital per 37 Geo. III Cap. 32.(2) In 1808 the home deficit rose to £4 millions and similar deficits were apprehended in the next two years due to the pressure of the transferred India debt.(3) As the Directors were unwilling to increase capital stock(4) and the public clamour was high, Robert Dundas, son of Henry Dundas the first Lord Melville, who had succeeded Tierney at the India Board, had to appoint a Select Committee to review the Company's affairs and report on its petition for assistance in 1809. The Government meanwhile paid £1½ millions more towards its account with the Company. In return the Directors agreed to allow direct trade between Africa and North and South America, and also between the Cape, New South Wales and Ceylon.

(1) Expositions of the state of the Company's Finances at Home and Abroad. by W. Ramsay. <u>The Asiatic Annual Register.</u> Vol XII p. 308.
(2) See Fourth Report 10 April 1812.
(3) App. 49 Fourth Report (1812)
(4) App. 11. Second Report (1810)

The Select Committee published four reports between 1808 and 1812. The Second Report[1] dealt with the history of ordinary revenues and charges of the Indian governments between 1792 and 1808. As certain material adjustments of the assets had to be made and the extraordinary receipts and disbursements had been entirely left out, the Third Report of the Select Committee[2] went over the field more minutely. According to the Second Report the excess of charges, after defraying interest upon debts, in the seventeen years since 1792, had amounted to £4,987,676[3] to which the ordinary charges of the Board of Trade and the Commercial establishments, not added to the invoice price of Indian goods, £3,056,251, must be added. The rapid growth of military charges in this period had been primarily responsible for such deficit. These amounted to £3,477,027 in 1793 but rose to £7,659,791 in 1808. The excess in this field alone accounted for almost the whole excess of the ordinary charges.[4]

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(1) Ordered to be printed 11 May 1810.
(2) Ordered to be printed 21 June 1811.
(3) Surplus revenues 1792-1808 - £6,478,397
Surplus charges do do - £11,466,073. Second Report.
(4) There were two periods of increase-from 1796 to 1801 and from 1802 to 1805. The former saw the new modelling of the army, the increase of pay and batta, the wars with France and Tipu Sultan, the expeditions to the Eastern islands and the Red Sea while the latter saw the renewal of the Anglo-French war after the failure of the Peace of Amiens and the Second Maratha war. The high level of the later years was due to permanent additions to the military establishment. A very material part of civil charges was caused in the process of military expansion viz. stipends to the native princes under the subsidiary treaties.

This deficit of £8,043,927 must have been provided by extraordinary resources - i.e. aggregate produce of the supplies from England and sums raised on loans. The Select Committee was here confronted with the fundamental difficulty of separating the political from the commercial concerns in order to apportion the debts between them. The home finances were equally involved. Ordinarily the funds were received from the sale of India and China goods in London for which returns were made in export of goods, stores, bullion and bills. But occasionally extraordinary funds had been raised from the increase of capital stock, or of bond debt or from repayment by the Government for disbursements in India etc. In the opinion of the Select Committee, "till it shall be clearly ascertained that the supplies from the Home Treasury to India and China were derived from sources purely commercial - the question of a distinct view of the proportion of the Indian debt which is to be termed political or commercial, must remain undecided." It made a tentative calculation in the Third Report according to which supplies to India amounted to £43,808,341 (1) and supplies from India to £42,178,640 (2) - leaving a balance of £1,629,701 in favour of England. (3)

Footnotes (1), (2), & (3) relating to previous page:

(1)

Supplies from England: 1792-1808

TO INDIA		TO BENGAL	
Invoice value of goods and stores sent to India - (Sale value in India £8,904,068. App. 8 Third Report)	£11,554,218	do do. . . . . . (Sale value - £3,602,340)	£4,838,329
(A) Bullion received	7,360,752	do do	5,322,124
Bills of Exchange	14,746,038	do do	8,129,215
Sundry receipts	393,372	do do	307,062
* Actual receipt £31,404,230	£ 34,054,380		£ 18,596,730
			(App. 3. Third Report)
(B) Political charges (or Home Charges) App. 46, Third Report	6,193,049		
(c) Disbursements of H.M. Paymaster's General	3,560,912		
	£ 43,808,341		

(2) Supplies from India: 1792-1808

Investment of goods	£ 25,407,099	App. 4, Third Report
Sundry advances for bills repayable in England	2,329,236	do do
Commercial charges not added to invoice	2,916,279	
Net supply to Canton	3,313,654	App. 15. Third Report
Advances and Charges in India admitted as claims on public and paid by H.M.G.	8,212,372	
	£42,178,640	

(3) The Court claimed £8,118,861 as due from territory to commerce.

Actual extraordinary receipts in India amounted to £31,404,230 in goods, stores etc. and £20,905,194 in credit or in all £52,309,424 and actual extraordinary disbursements to £43,794,623.(1) The difference between the total extraordinary receipts and disbursements, after adjustments, came up to £8,298,666 of which £5,615,494 was in cash at the different treasuries and the rest might be said to have increased the dead stock. Deducting such assets from the loans contracted there was

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(1)

Extraordinary Receipts in India

Goods, Bullion Bills etc.	£ 31,404,230
Loans (App. 2 Third Report)	£ 20,905,194
	£ 52,309,424
Extraordinary disbursements	£ 43,794,623
	£ 8,514,801
After adjustments	£ 8,298,666

* * * App. 4 Third Report puts investment at £25,407,099. Fourth Report puts net supplies to Canton at £2,877,161

Extraordinary Disbursements in India

(a) Excess of Political Charges	£ 5,078,015
(b) Commercial charges not added to invoice	2,916,279
(c) Investments	26,038,266
(d) Net supplies to Canton	3,313,654
(e) Advance payments to commanders, Advance freight & demurrage	1,128,780
(f) Service of H.M.Navy Ships of War etc.	913,778
(g) Sundry	286,678
(h) Advances on acc/ of Ceylon etc. not included in territorial charges and not admitted.	1,661,345
(i) Payment to Public creditors of the Nawab of Arcot	1,058,953
(j) Do Do Tanjore not transferred to London	64,044
(k) Loss of remittance between Presidencies	873,403
(l) Sums written off	461,428
	£43,794,623

a total defalcation of £12,606,528 in India, the causes of which might be described as the excess of political charges (which should be debited against the territory), secondly, the commercial charges not added to invoice (which should be debited against the Company's commerce), thirdly, advances on account of Ceylon etc. not included in the Indian charges (which ought to be repaid by the British Government) and fourthly, payments to the private creditors of Arcot (the nature of which was always dubious).(1)

The Fourth Report(2) contains a review of the home concern, a profit and loss account of the India and China trade and an analysis of the present causes of deficit and distress. The average sale proceeds of Indian goods amounted between 1793 and 1809 to £2,637,746 per year. Deducting the average cost and charges - £2,328,185 - the average profit on India trade amounted to £309,561 per year.(3) In the several years from 1793 to 1805 the average prime cost of the Indian investment brought to sale - £1,356,490 - considerably exceeded the 1793 estimate except in 1797 and 1804 when it was a little below. After a couple of years

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(1) App. 27. Third Report.
(2) Ordered to be printed 10 April 1812.
(3)

Average sale proceeds of Indian goods	-	£2,637,746
Average cost and charges	-	£2,328,185
Average profit on Indian goods	-	£ 309,561

When the commercial charges, not added to invoice, are taken into account, the average profit is reduced to a mere £156,639.

of depression it had again picked up from 1808-9. The average annual profit on the China trade had been £981,932 but it had been much less affected by the contingencies of war. The total amount of the Company's funds, exclusive of new stocks and loans, was £115,643,987 in these seventeen years and the total payments, exclusive of repayment of loans, was £119,893,583 - leaving a deficit of £4,249,596 most of which had been made good by the sanctions of the Parliament. Considering the Indian deficits to be £12,606,828 and deducting from it improvement of the favourable balances in China, Prince of Wales Island, Cape of Good Hope, St. Helena and London - the net deficit of the Company's concerns at home and abroad amounted to £11,020,566. The Select Committee considered the Political branch to be responsible for £6,364,931 of this deficit while the increase of dead stock accounted for £921,690 and the doubtful part for £5,953,660. The difference between these items and the net deficit - £2,219,715 - must have come from the Company's commercial profits.(1)

The view that emerges out of this forest of statistics is none too favourable to the Company's claim to the India monopoly. It had earned on India trade an average mercantile profit of £156,639 (calculating the commercial charges not added to invoice)

(1) The Select Committee thinks that the charges of the Settlements in Prince of Wales Island, Bencoolen and St. Helena should not be debited to the Territorial Account - "it being very questionable whether these settlements are more requisite for Political or Commercial objects."

which was negligible. But the China trade, which was partly an indirect remittance trade from India, was profitable enough to enable it to contribute towards the territorial deficits £2,219,715. It was unable to meet its obligations through the medium of commerce and had to appeal for public assistance each year since 1806 but one must remember also that the period was one of continuous war in India and Europe which caused unprecedented expenditure, upset estimates of investments and sale receipts and ultimately unloosened the avalanche of the transferred debt.(1)

The advance of private trade, which did not have to bear such strains, was naturally remarkable. From 1793 to 1809 the sale produce of privilege and private goods amounted to £33,991,256 of which the privilege trade from India per Charter Act of 1793 amounted to £21,035,573.(2) Total tonnage supplied to the individuals was 21,743 tons outward and 70,444 tons homeward besides private trade in India-built shipping which was 56,780 tons.(3) The outward tonnage had been very little used during 1795-1802, being only 1466 tons. But the outward tonnage, demanded since 1803,

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(1) Great Britain incurred a total debt of £245,004,157 from the beginning of the war in 1793 to 1813 which, minus the redemption through the sinking fund, stood at £101,798,716. Elic Halevy. England in 1815. Benn. Second Revised Edn. 1949 p. 368.

(2) App. 45. Fourth Report.

(3) App. 46. ibid.

had been 20,277 tons which was a striking evidence of the growing export of British manufactures to India. The tonnage supplied homeward had also increased from an average of 3775 tons between 1795 and 1802 to an average of 5030 tons between 1803 and 1810. The average value of the privilege trade had risen paripassu from £617,365 between 1794 and 1798 to £1,780,234 between 1799 and 1807 and had fallen a little to £1,129,408 in 1809. Over the whole period the average of the Company's trade amounted to £2,656,000 and the average of the privilege trade to £1,314,000.

Even more remarkable was the benefit to the Empire as a whole. While the people of India and China benefitted from about £46 millions spent on the investment, the returns thereof together with the private fortunes sent through the medium of commerce, the amount of duties received by the State and of profits received by the manufacturers led to the diffusion of no less than £185,960,000 in the circulation of the empire or about £10,900,000 per annum.(1) The

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(1) Distribution of returns from India and China

in purchase of the produce and manufacture of England	£ 29,200,000
Employment of shipping	25,000,000
Payment of bills of exchange	24,500,000
Purchase of bullion the import of which may be supposed to have been in payment of British exports	9,400,000
Disbursement of home charges	11,600,000
Dividends and interest on bonds	12,500,000
Sale of private goods and privilege goods	33,800,000
Duties on imports and exports	39,960,000
	£ 185,960,000

Fourth Report.

Fourth Report was of course not accounting for the other side of the balance sheet and exaggerating a bit the benefits derived from the Company's India and China monopoly in order to divert the public attention from the realities in India. Yet the account was not so bad after seventeen years of continuous warfare.

Let us see what Bengal paid for this. Her total surplus revenues in this period, after defraying interest on debt, were £29,315,979.[1] Goods, bullion and bills etc. from England accounted for another £17,360,651. Barring loans, her ordinary and extraordinary receipts amounted to £46,676,630. Her disbursements on investment and supplies to the presidencies amounted to £45,884,059.[2] The receipts and disbursements almost tally if the debts struck off, the increase of dead stock etc. are taken into account. Why then the

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(1) App. 3 Second Report.

(2)

	Receipts		Disbursements	
App. 3 Third Report	Surplus revenues	£29,315,979	Investment (App.4 Third Report)	£16,405,816
App. 8. Third Report	Sale value of goods from England	3,602,340	Commercial charges not added to invoice (App. 12. Third Report)	1,625,072
App. 3 Third Report	(Bullion	5,322,124	Net supplies to Madras	14,385,665
	(Bills	8,129,125	Net Supplies to Bombay	13,467,506
	(Sundry	307,062		
		£ 46,676,630		£ 45,884,059

enormous loan of £14,150,255 in seventeen years? (1) It was because, over and above her own expenses, she had been bearing all the expenses of wars, expeditions, maintenance of the occupied territories, supplies to Canton and the outlying settlements and even relieving the other Presidencies of a large part of their unfavourable loans at an unfavourable exchange. It is not easy to envisage the British Government or the Company maintaining such a large standing army in the East or working out their war strategy so smoothly without the resources of Bengal. Bereft of such resources the other foreign governments failed miserably. But to achieve this end her future revenues had to be mortgaged. She was held in ransom by the European creditors of the Company.

Bengal had to provide for the remittance of not only the income of such loans (2) but the private fortunes which arose from other sources - savings from salaries, (3) profits of shipping, docks etc. (4)

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(1) Loans - £14,150,255 (App. 2 Third Report).
(2) Reckoned to be about £2 millions per year G.G. in C. to Court (Financial) 23 August 1809.
(3) Greatly increased with additions to the civil and military establishments.
(4) Reduced since 1803. There were about 109 merchant vessels belonging to the port of Calcutta in 1803, there were only 69 in 1809. The building of ships was also on a lower scale - only 6027 tons were built between 1807 and 1809. Both, however, began to rise after 1809 - there being 111 ships of 41,865 tons in 1813 and 50 vessels of 24,732 tons being built between 1810 and 1813. See Phipps op.cit. pp. 126-27. Milburn op.cit p. 173. Messers Kyd & Co. and Messers John Gilmore & Co. were the biggest builders while ~~Fix~~ Fairlie, Fergusson & Co. and Hogue, Davidson & Co. were the largest ship owners.

income from indigo manufacture,[1] ~~income from houses,~~ income from houses owned by the Europeans in Calcutta, which amounted to no less than 20 lakhs per year,[2] and profits of the country and coastal trade. The demand for transfer of capital was the last straw. As general trade with Europe and America stagnated it became gradually impossible for Bengal to remit these vast obligations through the medium of her produce. "Indigo alone has perhaps prevented the private European capital from being withdrawn from the country, for had it not afforded a channel of remittance, a large proportion of the Company's debt must have been transferred to England." Even persons, who were not holders of the public securities, found it necessary to purchase them from the resident creditors with a view to exchange them for bills on England.

It was not the Court alone which had been hit by the transfer of capital. The agency houses, which conducted business mostly on borrowed capital and lived on the margin of difference between what they gave for money and what they got for it, were feeling the pinch as capital flowed away from Bengal. The Government, solicitous for

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(1) About S.R. 76,00,000 worth of indigo were being exported annually since 1806 by private individuals. Dr. Buchanan Hamilton's sample survey of 1807 refers to 75 indigo factories in Purnea, 7 in Patna and Gya, 18 in Shahabad and 21 in Dinajpur, while S.R. 6,30,000 of European manufactured indigo was annually exported from Rangpur. Almost all Bengal districts produced indigo under European management. See W.Hunter's Bengal MS. Records 4 vols and Palmer papers op.cit.

(2) On the basis of a 5% house tax which yielded S.R. 1,00,000. See G.G. in C. to Court (Financial) 23 August 1809.

their interest, continued with the Bank of Bengal much against the Court's desire.[1] The names of A. Colvin, John Palmer and J. Alexander in the list of the Directors of the Bank point out in whose interest mainly it was being established. For the Court the Government suggested acceptance of bullion from the Americans, the Spanish Americans and the Portugese in return for bills on Bengal. If England had demand on Bengal and Bengal had a favourable balance with America, Lisbon and Brazil, this could be easily done and was being done in the triangular trade between England, India and China. Convinced that the Court would accept its advice, the Government did not hesitate to draw bills on account of the principal of India debt to the extent of £2,292,606 in 1809-10.[2]

Failure to revive monopoly: The Court faced this when the Company had lost 14 ships valued about £2 million in the course of 1808-9.[3] The Indian investment of £1,425,928 could not meet such a huge deficit. With her surplus revenue reduced to C.R. 1,72,00,690, for which Minto made the expenses on the Persian mission responsible,[4] Bengal contributed about 85 lakhs of sicca rupees to the investment.[5] The Court had itself reduced the piece goods indent to 22 lakhs but[6]

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(1) Court to G.G. in C. (Public) 9 September 1807 and G.G. in C. to Court (Public 1 March 1809.
(2) App. 1 Second Report. Bengal drew for S.R. 94,00,730.
(3) Court to G.G. in C. (Commercial) 16 January 1810. App. 2 Second Report puts it at £1,048,077.
(4) Minto to Chair 23 April 1809.
(5) G.G. in C. to Court (Comml) 22 October 1810.
(6) Court to G.G. in C. (Comml) 2 September 1808.

though it had increased the indent for indigo from 10 lakhs to 20 lakhs [1] and desired as great a quantity of silk as could be obtained, [2] the Bengal government sent far less of the former as its price had been raised too high due to private competition [3] and held out little hope of suddenly increasing the latter. [4] As a gesture of good will to the cotton manufacturers, hit by the American embargo, but more in a blind search for a suitable remittance, the Court ordered cotton on its own account apart from allowing the private traders to bring it in country ships in 1809-10. [5] Here too Bengal failed on the ground of difficulties in procuring fine cotton. [6]

The Bengal government's attitude was not a little influenced by the private traders' towards the Company's attempts to revive its monopoly. [7] While favouring the Company's purchase of indigo, they looked askance at its attempt to monopolise silk, [8] thought it should "better leave those (cotton) speculations to us poor Bengalese" [9] and criticised its investment in inferior cloth. Opium was too sacred to be touched and when the Court ordered its Canton servants not to do agency work for private opium traders or the

(1) Court to G.G. in C. (Comm^{l}) 30 June 1809
(2) Court to G.G. in C. (Comm^{l}) 26 February 1808.
(3) G.G. in C. to Court (Comm^{l}) 25 November 1809, 5 January 1810.
(4) G.G. in C. to Court (Comm^{l}) 3 March 1809.
(5) Court to G.G. in C. (Comm^{l}) 10 February and 21 April 1809
(6) G.G. in C. to Court (Comm^{l}) 19 July 1809
(7) John Palmer to H. Trail 29 September 1808. Palmer Papers op.cit. vol. 68. p. 97
(8) John Palmer to Blane 8 November 1808, [redacted] ibid p. 155
(9) John Palmer to George Millet 14 December 1809 ibid Vol. 75 p. 60.

British navy occupied Macao, there was an uproar among the agency houses.(1) Like them the Government frankly avowed that the channel of trade no longer afforded remittance to the Company and either facilities should be given them to take country ships to London or send goods indirectly through the Americans so that private remittance, now demanded in bills, could be diverted. There was another alternative. The Court could accept bullion from the foreign traders in return for bills on Bengal. In short it advised the Court to give up its monoply to its sworn rivals.(2)

Ironically enough the Court ordered large investments in 1810-11 partly to compensate losses of 1808-9 and partly to recapture trade from the Americans during the continuance of the embargo.(3) It still regarded the commercial channel adequate for all remittance - public and private. It blamed the agency houses for transfer of the principal(4) and exhorted the Government to become the sole agent for the non-resident creditors. The Americans now showed too little excess of exports to be absorbed in England and the Company could not hawk around its Bengal bills in New York or Lisbon. The only way to recover the damage done by war and the pressure of

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(1) John Palmer to H. Trail 20 January 1809 ibid vol. 69, p. 139.
(2) This was one of the reasons for not imposing double duties on the Americans till 1811.
(3) Indent for piece goods rose to 60 lakhs and silk to 5000 bales (Commercial Despatch 30 March 1810), indigo to 45 lakhs (Secret Committee to G.G. in C. 27 February 1810) and cotton to 14000 bales (Commercial Despatch 29 August 1810).
(4) This was palpably unjust. The agency houses suffered no less for transfer of capital. See John Palmer to J. Drummond 17 December 1808. Palmer Papers op.cit. vol. 69 p. 79.

bills was to send an enlarged investment or, if that was impossible, to send bullion.(1)

Four events - two commercial and two financial in nature - not only denied the Court the fulfilment of this dream but greatly added to its burden. There was a renewal of American competition in India. There were further funding operations and a large scale expenditure on account of the expeditions to the French Islands in 1810 and to Java in 1811. Finally there was a trade depression in England.

To increase its surplus revenue the Bengal Government introduced customs regulations,(2) which badly hampered internal trade and hurt the indigenous traders, but it could not send the investments ordered. As debt bills were scarcely available(3) and other bills gave 2s 4d where indigo gave 2s 6d the sicca rupee,(4) the price of indigo went high which American competition and low production increased further.(5) Cloth prices rose by 35% and silk too, till it was almost monopolised.(6) Nor could bullion be sent to any appreciable extent(7) as bullion was required in Bombay to facilitate her funding operations and Canton, itself in trouble,

(1) Court to G.G. in C. (Public) 20 June 1810.
(2) Regulations 9 and 10 of 1810.
(3) John Palmer to H. Trail 31 January 1810 Palmer Papers op.cit. vol. 76 p. 48. The agency houses were paying a premium of Rs. 4-10 to Rs 4-12% for the transferrable 8% and Rs. 4-7 to Rs 4-8% for those of which interest only was payable in bills.
(4) G.G. in C. to Court 28 February 1811
(5) John Palmer to H. Trail 3 October 1809. Palmer Papers op.cit. Vol. 73, pp. 72-74.
(6) G.G. in C. to Court (Comm[l]) 30 April 1811.
(7) About 40 lakhs worth of bullion was sent from Bengal.

could send little.(1) Even this small exertion incensed the agency houses.(2)

They were further incensed by the successful attempt of the Government to fund the optional debt by opening an 8% loan on 1 September 1810. To prevent interest bills, they were made payable at a premium of 2%. More, the Government devised a plan to reduce interest on the registered debt from 8% to 6% and on treasury notes from 6% to 4%. To induce the creditors, 8% was allowed to 30 June 1811, interest was made payable by bills at 12 months date and a hope was held out that part of the principal might be transferable in future.(3) The optional debt was largely funded and interest on five millions at least was reduced to 6%.(4) But this measure led to a transfer of S.R. 4,79,12,755 of the principal of India debt from India.(5) The agency houses were furious. John Palmer gave a piece of his mind on "the trickish conversion of the 8% into a 6% loan": "that the Ct (the Court) knew, approved and sanctioned the measure I am satisfied, in spight (sic) of pretended ignorance and disavowal..."(6)

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(1) Madras and Bombay received 1½ crores in 1810-11. Canton received net supplies of £141,287 in 1809-10 and £337,273 in 1810-11.

(2) The investment amounted to S.R. 1,20,00,000, yet Palmer wrote, "I think this effort to crush the private trade - for it was senseless to suppose they look for profit - must recoil with desperate effect on the Leadenhall." John Palmer to H. Trail 10 February 1811 Palmer Papers op.cit. vol. 78. p. 357.

(3) G.G. in C. to Court (Financial) 4 January 1811.

(4) G.G. in C. to Court (Financial) 16 February 1811.

(5) S.R. 2,23,00,000 from Bengal. G.G. in C. to Court (Financial) 3 February 1812.

(6) John Palmer to H. Trail 3 July 1811 Palmer Papers op.cit. vol. 79, p. 190.

Though they had been demanding reduction of Mauritius from 1808,(1) the financial effects of Minto's expeditions to Mauritius in 1810 and Java in 1811 were hardly to their benefit. The former destroyed the nest of the French privateers which preyed on the country ships (and took a heavy toll of Indiamen in 1809) and the latter forestalled Napoleon's plan to make Java the base of future maritime operations against British commerce in the China seas. But they cost £7 millions. This, together with the exodus of a large amount of capital on the debt account for several years, created a great scarcity in the Bengal money market. Speculative commercial adventures to Mauritius and Java accentuated it further and soon the rate of interest among private traders reached 12%. Indigo prices soared, trade became dull from 1811 and the Anglo-American war put a stop to the only considerable foreign channel of remittance.(2)

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(1) John Palmer to Prendergast - 21 January 1809 ibid vol. 69 p. 175. C.N. Parkinson, War in the Eastern Seas 1793-1815. op.cit. pp. 371-73.

(2) CALCUTTA - LONDON

Yr.	Imports S.R.	Exports S.R.
1810-11	38,67,224	70,87,766
1811-12	39,44,247	85,12,791
1812-13	49,50,945	72,96,970

	CALCUTTA - COPENHAGEN		CALCUTTA - BRAZIL	
Yr.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1810-11	13,464	x	18,94,085	14,62,230
1811-12	x	x	14,98,203	29,31,815
1812-13	x	x	22,76,850	39,48,552

Footnote (2) continued.

Yr.	CALCUTTA - U.S.A. Imports S.R.	Exports S.R.	CALCUTTA - MANILLA Imports S.R.	Exports S.R.
1810-11	67,71,894	68,36,365	29,69,942	12,70,541
1811-12	5,85,434	15,95,374	3,27,450	8,73,481
1812-13	6,17,391	10,94,609	1,72,432	3,19,776

Yr.	CALCUTTA - MAURITIUS Imports S.R.	Exports S.R.	CALCUTTA - JAVA & MALACCA Imports S.R.	Exports S.R.
1810-11	1,34,688	5,72,807	19,885	4,34,656
1811-12	3,37,715	14,51,280	3,45,451	10,73,485
1812-13	8,79,934	15,03,232	* 5,88,964	8,57,436

* only with Java. There were very little imports from Amboyna. Exports to Amboyna were S.R. 2,73,191 in 1810-11 and S.R. 3,89,396 in 1811-12.

Bengal Commercial Reports.

The agency houses, in response to peremptory demands of their European constituents, began to sell out securities which were consequently depressed.[1] To preserve their value as well as to maintain the salt and opium revenue, the Government offered a loan of 25 lakhs to the agency houses, allowed some transfer of capital and asked for the Court's permission for further transfer.[2] When the Court castigated the Government for its unfulfilled promises to send bullion and ordered one million in specie,[3] the latter thought of relieving the home treasury by floating a 6% loan, [redacted] reserving the option to grant transfer at 2s 6d though the Court had already adopted the plan of re-transfer of debt to India. Bengal debt bearing interest rose to C.R. 23,50,42,400 on 30 April 1812 inspite of a surplus revenue of C.R. 2,32,98,550. Bullion was sent and the year's Indian investment amounted to £1,693,397 but the bills on the Court reached S.R. 1,04,09,593.[4]

Meanwhile England had entered into a period of trade depression. The speculative South American boom failed and with it the speculative

(1) G.G. in C. to Court (Financial) 3 February 1812
(2) G.G. in C. to Court (Financial) 17 August 1812. This helped the agency houses by re-introducing option and relieving the pressure of export of capital. John Palmer to H. Trail 27 October 1811. Palmer Papers op.cit. Vol. 79, p. 204.
(3) Secret Committee to G.G. in C. 8 March 1812.
(4) G.G. in C. to Court (Financial) 10 October 1812.

import of commodities. Napoleon had ordered a more stringent application of the Continental System since 1810 and the countervailing Orders in Council worsened the situation. The Anglo-American War deepened the crisis in 1812. The Court's expectation of a larger investment and a larger sale could not materialise.(1) It reduced the indent for piece goods.(2) Cotton had already been stopped with the temporary renewal of the Anglo-American trade at the end of the embargo.(3) Sugar had been discontinued(4) and sunn and hemp discarded except on public account.(5) The Court depended solely on indigo and silk now(6) and even thought of erecting its own indigo factories.(7) But though the Government sent about 40 lakhs in silk(8) and resumed its saltpetre monopoly, it sent little indigo against the Secret

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(1) £1,510,790 from India and about 85 lakhs of S.R. from Bengal.
(2) Court to G.G. in C. (Comm[l]) 15 May 1811. Indent for Dacca piece goods had now fallen to a meagre 3 lakhs.
(3) Court to G.G. in C. (Comm[l]) 29 August 1810, 30 October 1811.
(4) Court to G.G. in C. (Comm[l]) 11 September 1811.
(5) Court to G.G. in C. (Comm[l]) 1 May 1812
(6) Secret Committee to G.G. in C. 14 February 1812.
(7) John Palmer called it an "infatuation". John Palmer to Henry Trail 4 November 1811. Palmer Papers op.cit. vol. 79 p. 212.
(8) Silk sent on account of the Company -

Yr.	lbs.
1808	325,243
1809	116,124
1810	373,598
1811	258,953
1812	558,862

Reports and Documents connected with the Proceedings of the East India Company in regard to the culture and manufacture of cotton wool, raw silk, and indigo in India. 21 December 1836.

Committee's order for an enlarged supply.(1) It sent only 42 lakhs in specie - a veritable drop in the ocean.(2)

Lord Minto was recalled in 1812. In May 1811 he had promised to send one million of specie in the three following years and on that basis the Court had accepted more than four millions of India debt. Not only could he not keep his promise but he had increased the Court's burden further - (the last time) for the avowed reason of relieving the private traders from distress.(3) He had no backing from any political party in England and had collided with Robert Dundas over many questions of policy - particularly over the mission of Harford Jones to Persia. He had made himself unpopular with the powerful body of the Company's creditors by his policy of funding and reducing interest.(4) As Wellesley recognised to his discomfiture that necessity of private capital import and private capital remittance was a primary concern of the Indian Government, so did Minto to his own. The dilemma was apparent to the Indian Government, if not to the Court, that either it must assist private

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(1) Indigo purchased by the E.I. Company.

Yr.	Value. S.R.
1807	9,62,690
1808	17,59,706
1809	x
1810	18,24,811
1811	4,71,567

See G.G. in C. to Court (Comm[l]) 10 October 1812

(2) G.G. in C. to Court (Financial) 19 December 1812.

(3) In all Minto could send £1,858,719 while bills on account of principal and interest since 1807 had been £7,141,000 and £4,326,000 respectively. See Court to G.G. in C. (Public) 9 September 1812.

(4) Charles Ricketts to Lord Liverpool Add. MSS. 38,410, f. 297.

remittance through the channel of private trade (as Wellesley did) or it must allow remittance through the transfer of capital (as Minto was forced to do) - in each case affecting the Company's home concerns deeply. The only way out under the circumstances was a surrender of the India monopoly. Continuation of the Napoleonic wars and the exigencies of imperial expansion in India had left no other alternative before the Company.

At home the Company had been living on public assistance since 1807. In 1807 its deficiency had been met from an extension of bond debts, in 1808 from the Government's repayment of a part of advances made in India. In 1810 the Government again came to its help with the issue of £1½ million of exchequer bills, (1) in 1811 with a further authority to extend its bond debts by £2 millions. Notwithstanding the favourable reports of the Select Committee these proceedings roused a host of critics. Some condemned it for charging high freight, some for monopolising silk and cotton, some for its never-ending balance with the home government, (2) some for trading on borrowed capital, (3) and some again for increasing customs in India deliberately to hurt private trade. (4) With the trade

(1) Court to G.G. in C. (Public) 29 June 1810.
(2) Creevy, 14 May 1810. <u>The Asiatic Annual Register</u> Vol. XII p. 195.
(3) Parl. Hist. N. S. Vol. II p. 1074.
(4) The private traders charged the Company with increasing customs from 7½% (including town duties) to 10% by Regulations 9 and 10 of 1810. The amount of drawback and the mode of valuation also came under attack. See Report by Mr. Courtenay relative to duties on export, import and transit of goods in India etc. 25 January 1814. Home Misc. 523 p. 10.

depression of 1810-11 affecting industry, commerce and shipping, the manufacturing interest and the shipping and commercial interests at the outports rose in unison to join these critics in demanding a total abolition of the Company's monopoly at the end of the Charter period in 1813.

Charter Negotiations: The Charter Correspondence seriously began at the end of 1811 (1) and the President of the India Board struck in his very first letter the theme that runs through the whole of it. If the Court held to its old opposition to private trade and to its oft-repeated arguments about colonisation etc. "I cannot hold out to you the least expectation, that His Majesty's Government will be disposed to depart from the proposal entertained in my letter, or that they will concur in any application to Parliament, for the continuance of a System of trade, conducted under all the restraints now imposed upon it, and for the permanency of which the Court of Directors have so strenuously contended." (2) With a formal reply that reiterated the necessity of an esclusive trade, "interwoven as that trade is with the very frame and integrity of those possessions......," (3) the Secret Court thought it better to appoint a deputation to meet the ministers and the Chairman proposed

(1) It started first in December 1808 but was postponed pending publication of the Select Committee Reports.
(2) Melville to Chairs 17 December 1811. I.O. Charters Vol. 14. (printed) p. 44 -
(3) Chairs to Melville 4 March 1812, ibid p. 49.

before the deputation certain hints to be submitted to Lord Melville which outlined the limits of concessions the Court was prepared to make.(1) Earlier conversations with the Ministry had persuaded the Court to declare its terms and they were still formidable. The Company was to retain its China monopoly and the private traders would be allowed to trade with India freely on certain conditions. They could not take up ships below 400 tons, must get a licence for sailing out and mustnot take military and naval stores. They would need licence for exporting piece goods while silk and saltpetre would still remain exclusively in the Company's hands. London was to be the sole emporium of trade and the Company's the sole warehouse. There were to be restrictions on residence in India and the residents would be liable to taxation. The public was to bear charges of His Majesty's troops beyond a maximum and to fund the transferred debt of 1812-13. The deputation later asked for a term longer than 20 years(2) and an addition of ten shillings to the dividend, free of income tax.(3)

Like his father, the second Lord Melville had not much illusion about augmentation of British exports but still he negatived the main proposals of the deputation which would have rendered

(1) Hints to be submitted to Lord Melville 3 March 1812. These hints weredrafted on the basis of the Chairs' conversations with Melville on 20 and Percival and other ministers on 24 February 1812. ibid. pp. 62-70.
(2) Deputation of Court to Lord Melville 18 March 1812 ibid p. 80.
(3) Deputation of Court to Lord Melville, 19 March 1812 ibid p. 81.

all concessions nugatory. He did not commit himself even about the China monopoly: "public discussion on such an important question, may possibly produce an alteration of opinion on some of the details."(1) He was wise to have done so as public agitation in the manufacturing, mining and commercial centres outside London had grown intense during the summer of 1812.

Parliament was pestered with hundreds of petitions from all parts of the country demanding abolition of the Company's monopoly. Glasgow referred to the American bid to capture all trade between the East and the West and considered confinement of trade to London unnecessary, unjust and impolitic.(2) Liverpool dwelt on the distress caused by the stoppage of Anglo-American trade which had halved her exports between 1810 and 1811, rendered her ships idle and affected her salt trade.(3) Paisley, Kirkaldy and Kilmarnock asserted the Company's lack of capital for conducting India trade while the country had a surplus capital which sought a new field of investment.(4) Birmingham complained of distress among metal-workers and made a plea for a market for British iron and steel manufactures(5) to which the iron masters of

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(1) Lord Melville to Deputation of Court 21 March 1812 ibid p. 84.
(2) 19 March 1812 Parl. Deb. vol. XXII pp. 89-91.
(3) 23 March 1812 ibid pp. 111-12 Liverpool lost four fifths of its export trade when the Anglo-American War broke out in 1812. See Herbert Heaton: The American Trade in C.N. Parkinson (Ed) The Trade Winds 1948 p. 205.
(4) 7 April 1812, ibid pp. 216-21.
(5) 8 April 1812 ibid p. 239. See also Ashton Iron and Steel in the Industrial Revolution p. 151.

of Sheffield[1] and Shropshire[2] joined. Petitions from the woollen manufacturers of Gloucester, Exeter and Leeds were followed by[3] those from silk manufacturers.[4] The Cornish tin-miners pressed for an annual purchase of 1200 tons of tin at a higher price by the Company.[5]

Duly disturbed by this agitation, the Court appointed a deputation on 9 April 1812 to confer with the ministry, besides unleashing a spate of counterpetitions and defensive pamphlets which eloquently argued for the preservation of its exclusive privileges.[6] The formal protest came in a letter to Duke of Buckinghamshire, the successor of Lord Melville in the Perceval Cabinet, 15 April 1812. The Court sarcastically remarked that.... "little is said about the advantages to be derived from adventures

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(1) 29 April 1812 Parl. Deb. op.cit. pp. 1115-17.
(2) 14 April 1812 ibid pp. 325-29.
(3) 27 April 1812 ibid p. 1049 and 30 April 1812, ibid pp. 1125-26 and 8 May 1812. Parl Deb. vol. XXII p. 96.
(4) 1 July 1812 ibid pp. 873-75.
(5) 24 February 1812 sent with Lord Melville's letter to the Court 5 March 1812. I.O. Charters vol. 14. p. 87.
(6) Petitions of
London Merchants 4 January 1813 Parl. Deb. Vol. XXIV p. 435.
Shipowners of London 7 April and 22 April 1812 ibid vol XXII pp. 213-16 and 716-18.
Woollen manufacturers of Cornwall 29 June 1812 ibid vol. XXIII p. 800.
Resolutions of a Meeting of buyers and others interested in the sale of East India piece goods. 21 April 1812. I.O. Charters vol. 14. pp. 133-137.
For pamphlets see East India Tracts Vols. 463-467, 472.

to the unexplored parts of India, and the objects likely to be most warmly contended for are not new accessions of commerce to the nation, but a transfer of much of those branches of trade, already carried on by the Company in London, to individuals in the outports." If all ports were opened and ships of small burthen allowed, there would be no end of smuggling, the public revenue would be jeopardised and private sale would always anticipate the Company's sales, particularly injuring the cotton manufacture and silk manufacture of England. Loss of India trade and unrestricted country and coastal trade would "leave the China monopoly so insulated and unsupported as to bring that also at length to its fall."(1) It is interesting to note that the Company was trying to use the Indian country trade interest which was opposed to the introduction of rivalry from British vessels and to hold up the bogey of Indian textiles before the Lancashire manufacturers. Poor Charles Grant still considered the arguments of his Observations of 1800 would suffice in the second decade of the nineteenth century when the British manufacturers had beaten their Indian rivals in cost of production. He was naive enough to hope that the country traders would forget their debacle of 1802. The Court was no longer united, nor had it the same bargaining power.(2) While begging the ministry for a loan of £2½ millions, it

(1) The Chairs to Duke of Buckinghamshire 15 April 1812. I.O. Charters Vol. 14 pp. 108-130.

(2) 9 April 1812. Secret Committee Minutes vol. 4. Secret Miscellany Book. I.O. 95 f. 40.

committed the audacity of refusing Buckinghamshire's terms of 19 April 1812, which proposed to maintain its China monopoly in tea but to throw open trade in other China goods, if procured in India, and to permit private ships to clear out from any port in Britain but to import into those ports which possessed the warehousing system.(1) The tone that was adopted in the General Court of 5 May 1812 by Randle Jackson and others was definitely a defiant tone which ill befitted a supplicant.

Not content with petitioning Parliament and publishing pamphlets,(2) different manufacturing and commercial bodies in Britain sent a deputation to London which appointed a committee to meet and canvass the Ministers in the Spring of 1812.(3) This Committee (of which K. Finlay, the cotton manufacturer, was a prominent member) met Perceval and Buckinghamshire on 12 May 1812 and was assured that the Prime Minister had previously approved Buckinghamshire's attitude towards the opening of outports, that the principal ports would surely be opened and the licensing of private traders would not be left solely to the option of the Court. The Committee hoped

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(1) Secret Court to Buckinghamshire 20 April 1812. I.O. Charters Vol. 14. p. 132.

(2) Letters on the East India monopoly originally published
- (a) in the Glasgow Chronicle etc. 2 Edn. Glasgow 1812.
- (b) General Thoughts contained in a Letter on the subject of the Renewal of the E.I. Co's. Charter. 1812.
- (c) Free Trade or an Inquiry etc. 1812.
- (d) The Question as to the Renewal of the E.I. Co's Monopoly Examined, Edinburgh 1812.

(3) Randle Jackson's speech in the General Court debate of 5 May 1812. Also a pamphlet of Richard Twining Jr.: Observations relative to the East India Company's Charter 1813, and Letters of Civis in the Times 1813.

that the minimum burthen of vessels would be fixed considerably below 400 tons and prayed that China trade, intimately connected with the Indian and South American trade, should be opened too. To the last the Ministers could not agree.(1)

When the assassination of Perceval threw matters into confusion in 1812 the Committee, apprehensive of the late defiant tone of the Company and of a possible change in political weather, reflected that "His Majesty's ministers are surrounded by their commercial enemies, and by all manner of flatterers and deceivers, the never failing attendants of ministers, and of Kings, whilst they themselves are far removed from all opportunities of advocating their own cause." It even threatened the Government that if it failed to fulfil promises, "....all their utmost exertions will be required in the painful and momentous contest in which they must be engaged."(2)

When the Secret Committee of the Court, after finding the Liverpool Ministry adamant on the question of outports, passed open resolutions against such a proposal on 18 December 1812, the Committee of Liverpool Merchants, which continued agitation on behalf of outports, began to pour petitions on the new Parliament.(3) It invited deputations from all outports and commercial towns to London "there to cooperate with other deputies in concentrating the

(1) Add. MSS. 38,410ff. 81-84.
(2) Note of Mr. Thomas Attwood the High Bailiff of Birmingham, 18 September 1812 ibidff. 90-91.
(3) Thomas Earle, Chairman of the Committee of Liverpool merchants to Lord Liverpool 1 January 1813 ibid f. 185.

weight and influence of the mercantile, manufacturing and trading interest of the United Kingdom, unanimously, firmly, and respectfully directing their joint efforts in support of their just claims." The Chairman of the Committee stated in no uncertain terms that "...the concession of a free trade to India alone and not to China, will be considered by the merchants and manufacturers as a nugatory measure, in as much as it will continue to the Company the power of opposing innumerable obstacles to the trade with India itself, and the islands adjacent....." (1) The idle shipping of

(1) ibid f. 184 Trade with China, Penang, Sumatra and the Coast of Coromandel had declined since 1811 but was still alluring.

	CALCUTTA-CHINA		CALCUTTA-PENANG		CALCUTTA-SUMATRA	
Yr.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1809-10	83,17,183	66,13,639	17,12,498	21,66,552	50,400	4,03,464
1810-11	65,83,956	73,72,295	32,64,297	25,34,351	6,35,884	3,27,614
1811-12	48,01,149	62,22,009	20,97,239	25,28,183	3,34,385	11,58,624
1812-13	54,60,195	46,91,931	15,39,992	19,89,853	3,56,321	4,98,969

	CALCUTTA-COROMANDEL		CALCUTTA-MALABAR		CALCUTTA-GULFS	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1809-10	8,15,753	16,14,260	1,94,971	29,40,231	18,72,791	21,66,552
1810-11	10,00,463	11,23,456	3,91,565	22,38,699	9,40,010	21,90,208
1811-12	9,78,191	17,16,698	5,72,695	21,32,370	14,39,571	31,78,579
1812-13	10,90,568	15,34,459	9,05,794	39,68,498	13,00,776	32,13,894

Bengal Commercial Reports 1809-12.

of Liverpool and Bristol wanted a share of the still considerable coastal and country trade in India. The Edinburgh Chamber of Commerce sent similar resolutions to Liverpool on 14 January.

Lord Liverpool, who had formed the Ministry after Perceval's assassination, toyed with the idea of transferring all political power from the Company without rousing any suspicion of the Indian people "that there was any intention of making any considerable change in the system of government" or any outcry that the Charter was being violated or the patronage of the Crown increased. India trade was to be thrown open and China trade put under the control of a Consul. Revenues were to be transferred to the Crown along with India debts. Rights of the Company as a joint stock concern were to be subjected to a Commission established by the Parliament which would judge all pecuniary claims.(1) Liverpool confessed the plan was anomalous and liked it so but Buckinghamshire opposed parts of it(2) and soon the greater pre-occupation with Napoleon put an end to these academic discussions which seemed to imply too dangerous an innovation at the moment. Buckinghamshire's correspondence with the Court give dark hints of such deliberations. When the latter tried to repeat some of their old arguments, he frankly threatened, "...It will be for Parliament to determine, whether the Nation is,

(1) "Considerations on the Government of India on the event of the Charter of the E.I.Co. not being renewed." Add. MSS 38,410 ff. 171-82.

(2) Marginal notes by Buckinghamshire on the same pages.

in this respect, without an alternative; or whether, if a change of system should be rendered necessary by the decision of the East India Company, measures might not be taken for opening the trade, and at the same time providing such an administration of the government of India, as might be found compatible with the interest and security of the British constitution." (1)

With Hume alone defending Buckinghamshire's proposals in the India House debates, the Court tried to take its stand on its services to the British manufacturing class. (2) It was a boomerang, for, the private traders could make an equal if not a greater claim. (3) When Castlereagh presented eleven resolutions of the Government to the House of Commons on the proposed terms of the new Charter, the Court proposed to call evidence on the impossibility of augmenting British exports to India. It is no wonder that the evidence adduced by the Company's witnesses before the Select Committee (which sat from 27 April 1813) corroborated the official point of view. Warren Hastings, Lord Teignmouth, Sir Thomas Munro, Sir John Malcolm,

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(1) Buckinghamshire to Chairs 4 January 1813. I.O.Charters vol. 14 p. 183.

(2) Invoice value of the Company's exports in woollens to Bengal rose from £40,418 in 1792 to £81,976 in 1806-7, though it fell to £51,816 in 1808-9. Goods and stores, other than woollens, rose from £108,501 in 1792 to £403,522 in 1808-9. Milburn op.cit. pp. 178-79. In 1811-12 the Company imported about £319,141 in goods and stores. Bengal Commercial Reports 1811.

(3) Private exports of British manufacture to Bengal rose from £448,835 in 1802-3 to £452,562 in 1809-10. In 1812-13 it rose to £597,850. Bengal Commercial Reports 1812.

William Cowper (1) and Thomas Graham (2) - all servants or ex-servants of the Company - spoke in unison of the insurmountable difficulties of extending the sale of British manufacture in India because of the native inhabitants' lack of purchasing power, simplicity of taste and religious prejudices. Even Wellesley, who had once been so vocal in the cause of British manufacture and considered free trade to be the open sesame of the Indian market, asked the House of Lords "to take into their consideration the products, manners, habits, and customs of the natives of India......A free and unrestrained trade with India, therefore, would be most injurious to our manufacture by inundating the country with the Indian piece goods." Hastings had tried to push it into Bhootan and Tibet, Shore into Nepal and Wellesley into the Ceded Provinces - with no success. William Fairlie, the doyen of British Indian merchants, attributed the recent increase of exports to a rise in the European population. The scale of remuneration of ordinary labourers, and hence their purchasing power, had not improved during the British rule. According to William Cowper wages of a labourer in Chittagong was about 3s a month and in Calcutta about 5 to 6s in 1788. (3) It was so while Graham left Bengal about 1808. (4) The labourers, engaged by the Europeans,

(1) President of the Bengal Board of Trade for five years, member of the Supreme Council for ten years.
(2) Member of the Supreme Council of Cornwallis and Wellesley.
(3) 5 April 1813. Evidence before the House of Lords on the E.I. Co's Affairs.
(4) 6 April 1813 ibid. According to William Fairlie who left Bengal about 1812 - it was between 5s and 7s 6d when employed by the natives and between 7s 6d and 25s. when employed by the Europeans.

got a little more - 7s 6d (1) and those engaged by the indigo planters still more - from 10s to 15s. (2) According to John Stracey, who left in 1805, a labourer in Mymensingh got 3s 9d., in Tirhoot 5s., in Doab 7s 6d and in Dacca 3s 6d. a month. (3) Moreover the economic foreign policy of the State had dictated the Company's import policy. Silk was encouraged during war with Italy, corn during war with France, hemp during war with Russia, cotton during war with America. (4) The heavy duties for the protection of British manufacture depressed imports further. When, thus circumstanced, the Company fared badly in trade, all blame was put on its monopoly: "They branded it with the name of monopoly, and armed with the authority of Dr. Adam Smith, they declared all monopolies to be mischievous, and with that of Thomas Paine, to be contrary to the imprescriptible rights of man." (5)

A perusal of the pamphlets, petitions and letters of the contending parties reveals their many self-contradictions. The merchants and manufacturers were more moved by their individual hardships and immediate interests though they clothed them in a common garb fashioned by Adam Smith. Thus while the woollen manufacturers of Cornwall, Devon and Somerset (who got their

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(1) Evidence of Alexander Kyd 6 April 1813. ibid.
(2) Evidence of William Fairlie. same date. ibid.
(3) 7 April 1813, ibid.
(4) Letters respecting the Claims of the E.I. Co. for a Renewal of their Exclusive Privileges. "Verax" 1813.
(5) A view of the Consequences of Laying open the Trade to India etc. Charles Maclean 1813.

contracts from the Company) wanted the monopoly to remain, their brothers-in-trade from Exeter, Leeds, Aberdeen and Wiltshire wanted it to go. The ship-builders and dockers of London did not see eye to eye with their fellow-professionals of Liverpool. Merchants of London and Glasgow did not share a common notion of the inherent birth-right of the British subjects. The free traders showed great solicitude for the welfare of the Indian people but their ideas of freedom did not extend to the export of machinery to India. The London and Yarmouth ship-builders differed on the eligibility of the outports but not on the harmfulness of the India-built shipping.(1) The Court wrote to Dundas on 13 January 1809 that India trade was unprofitable; on 29 April 1812 it thought otherwise. It attacked American trade in 1807 as detrimental to the Company's interest but defended the same in 1812 and 1813. In the same breath it claimed to have extended the sale of British manufacturers in India and asserted the impossibility of doing so in future. The evidence before the Select Committee seemed to belie the facts. The Value of British exports to India had risen from £774,063 in 1792 to £2,095,422 in 1811 (a bad

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(1) Petitions of ship-builders of London and outports to Lord Liverpool 18 May 1813 Add. MSS. 38,410 f. 247.

year) and that of cotton manufacture alone from £165 to £107,306.(1) It was idle to point out that the balance of the Company's unsold imports into Bengal amounted between 1801 and 1807 to S.R. 23,68,000(2) or to emphasize the decline of American trade since 1811.(3) No tortuous logic could explain away a favour to the Americans which was denied to fellow-countrymen in distress.

The evidence before the Select Committee did not change the mind of the ministry and when the Chairs met Liverpool, Castlereagh and Buckinghamshire on 31 May and 10 June 1813, the latter asked the Company not to use its powers to cramp private trade by carrying on a losing trade of remittance: "they would not have the experiment of a free trade interrupted, or, as it was expressed overlayed (sic) by the weight of the capital of a great Company." When the Chairs wanted monopoly in some staple article like raw silk or piece goods, they turned it down as unfair. On 15 July the Court

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(1) Commodities exported to India

	Value in 1792 £	Value in 1811 £
Woollens	110,524	277,196
Copper wrought	136,175	240,636
Tinplates and tin ware	2,710	10,226
Iron cast and wrought	34,660	177,002
Iron bar	945	84,026
Lead	12,038	70,310
Cotton manufacture	165	107,306
Glass and earthenware	26,584	118,172

Report of the Inspector General of Imports and Exports 11 May 1813.

(2) Court to G.G. in C. (Comm^{l}) 29 September 1809.

(3) CALCUTTA - U.S.

	Imports. S.R.	Exports. S.R.
1810-11	67,71,894	68,36,365
1811-12	5,85,434	15,95,374
1812-13	6,17,391	10,94,609

recommended closing on the Government's terms - particularly because it was afraid of a worse dispensation from the opposition led by the Grenville Whigs.(1) The resolutions were discussed and passed in June. On the second reading of the Charter the Canningites tried to shorten the China monopoly by ten years, but failed. On the third reading Thornton tried to make bills payable in England fall on territorial instead of on commercial funds - and thus indirectly to withdraw a great part of the commercial funds from the control of the Board. He failed too. On 13 July the bill was passed and the East India Company lost its historic India monopoly.

The new Charter re-invested the Company with exclusive trade with China and trade in tea for another twenty years terminable after three years' notice by the Parliament after 10 April 1831. Trade to and from India and other places within the Charter limits except China was thrown open after 10 April 1814 - save in military stores to any place in Asia between the Indus and Malacca. Ships in private trade were to clear out of and import into places in the United Kingdom to be specified by Order in Council, nor would they be able to go to any places between the Indus and Malacca - except the Company's principal settlements unless they had special licences

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(1) See Grenville's speech in the House of Lords on presenting the petition of Bristol on 28 April 1812. Parl. Deb. Vol. XXII p. 1077 and speech on 9 April 1813 ibid vol. XXV pp. 709-52. Grey thought it "hardly decent to avow a decided opposition to their (the Company's) claims."

from the Court, the granting of which, however, was made subject to the control of the Board. The Court would grant licences to the principal settlements as a matter of course. No ships under 350 tons were to obtain the above privilege. To protect British silk and cotton manufacture - no articles manufactured of silk, hair or cotton or any mixture thereof, imported from the Company's territories, were to be entered into or taken out of any port save London except for re-exportation. No customs duties imposed by the Governments in India were valid till sanctioned by the Court and approved by the Board. The Company and private traders were authorised to employ India built ships till 1 August 1814. When the Court refused permission to persons to proceed to the East Indies, their applications were to be transmitted to the Board which might direct certificates to be granted. But to prevent colonisation, Governments in India might declare certificates and licenses void if the grantees seemed to have forfeited their claims to protection and might not sanction residence to the British subjects without the authority of the Court. If they traded or occupied immovable property outside ten miles of the Presidency towns, they would be subject to local jurisdiction and must procure certificates of permission from the Government.

The territorial and commercial accounts were to be entirely separated. Revenues arising from the territorial acquisitions were to be applied to maintenance of the army, payment of interest on India debt, expenses of establishments and liquidation of territorial or bond debt. If India debt was payable in England - provision should be made by consignment of appropriate remittances to England. A sum equal to the payment from commercial funds at home on account of the territorial charges (minus commercial charges and charges of commercial establishments defrayed in India) was to be applied in India to procure the investment or remittance. All commercial profits were to be applied to payment of bills of exchange, debts except principal of bond debts, dividends and to reduction of India debt or home bond debt. Home profits were not liable to territorial charges till the dividend had been provided for - except for payment of bills and certificates for which value had been received in India and for interest and Sinking Fund on the loan of 1812. If home funds, after payment of dividends, be insufficient to discharge bills drawn on account of interest of the existing India debt, the deficiency was to be made up as the Parliament directed. A similar deficiency of commercial profits for payment of dividends was to be made up from surplus territorial revenues after payment of charges and interest. When the principal of the debt bearing interest in India should have been reduced to £10 millions and the bond debt in England to £3 millions, then and thereafter, surplus proceeds of the territory and commerce, after providing for the above payments, should be applied to the more speedy payment of £2 millions lent to the Company in 1812. Any further surplus was to be paid to the Exchequer to form a Guarantee Fund not exceeding £12 millions for the capital stock and dividend and if there be still any surplus, one sixth of it would belong to the Company and the rest to the Government. But if debts went beyond £10 millions in India and £3 millions in England - such surplus proceeds were to be appropriated for their reduction.

In terms of actual commercial profit the loss of the India monopoly meant little. Even considered as a trade of remittance, it had already been facing great hardship. The cotton manufacture of India - the foundation of the Company's commercial prosperity for centuries - was tottering on its last legs. The indent for Bengal piece goods declined in the first decade of the nineteenth century rapidly - from 66 lakhs of sicca rupees in 1803-4 to 20 lakhs in 1813. The muslins were the hardest hit. In 1803 163,220 pieces were ordered, in 1813 only 11,385. The indent for calicoes was just halved and for the prohibited goods fell to one third.(1) Dacca received a paltry order worth a lakh and

(1) Indent for piece goods in 1803-4 and 1813

	1803	1813
Muslins	163,220	11,385
Callicoes	671,800	331,830
Prohibited	166,800	50,600
	1,001,820 pieces	393,815 pieces

See Court to G.G. in C. (Comml) 30 June 1802 and (Comml Separate) 2 June 1812 twenty thousand. Indigo prices were very high after 1809. Silk was the only major article which could return a profitable remittance. But as we have seen the Bengal government could seldom supply the amount wanted though it had almost monopolised the silk production of Bengal. Cotton was out of the question after restoration of peace with America. Even the speculation of 1809-10 had failed because of a sudden resumption of trade with America. Towards the end of the period bullion was being remitted from Bengal.

The financial aspect of the loss of monopoly was not so bleak. With the end of war in Europe and maintenance of a strictly pacifist policy in India, the Company hoped to regain its lost equilibrium. At first sight the separation of the territorial and commercial accounts seemed to tie its hands in using territorial revenues for the investment in India as the end of monopoly, by affecting its sales, seemed to lower its chances of securing adequate funds in London. On further analysis it will be seen that the commercial profits of the Company were no longer liable for any territorial payment until dividends were paid and if in any year the fund for dividends fell short, the surplus territorial income of the preceding year was to make good the deficiency. The Company was moreover not to be left to a participation of the casual surplus of the territorial income as aid to its investment. The deficits of 1798 - 1801 and 1803-1808 had shown how precarious this source was. It was stipulated in the new Charter that a sum not less than the amount of the territorial charges paid at home, which exceeded a million sterling, should be paid yearly out of the territorial revenues for the investment. This not only secured the investment but took off the burden of the territorial charges from commercial funds at home: "And although the power will not remain with the Company, of rendering, at their discretion, the territorial and commercial funds mutually serviceable to each other, yet the allotment of a fund from the revenue for the provision of the investment is made more certain and absolute than it was by the Act of 1793: and, in fact, the removal by specific enactment, of a power which, only in practice, was left to the Company through the period of the Act, is rather a derogation in point of credit, than any real subtraction of benefit."(1) The application of whatever amount should be allowed to investment, whether to provide for territorial charges or for annual payments of India debt, was to be controlled by the Court. The Government promised aid if the Company in any year failed to discharge its obligations regarding India debt. Thus the Company gained more certainty in the matter of the dividend, the

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(1) Minute of a Committee of the whole Court of Directors, 15 July 1813. I.O. Charters Vol. 14 p. 505.

investment, and the payment of the territorial charges and of the transferred India debt at the cost of its trade monopoly and its freedom to mix up the territorial and commercial accounts which, whatever the Court might say, did not always help the territory.

The Charter of 1813 recognised a fait accompli. Inspite of war, (or because of it), the percentage of Bengal's private trade with London had surpassed that of her private trade with other quarters save China (and that also in exports).(1) It was stagnation

(1)

	CALCUTTA-LONDON Imports %	CALCUTTA-LONDON Exports %	CALCUTTA-AMERICA Imports %	CALCUTTA-AMERICA Exports %
1807-8	15.15/16	21.5/16	23.10/16	18
1808-9	22.8/16	27	x	x
1809-10	13.6/16	24.4/16	25.10/16	20.8/16
1810-11	13.6/16	20.12/16	23.6/16	20
1811-12	21.12/16	24.9/16	3.4/16	4.10/16
1812-13	23.4/16	23.1/16	2.14/16	3.7/16

CALCUTTA - LISBON (from 1810 with BRAZIL)

	Imports %	Exports %
1807-8	8.15/16	5.6/16
1808-9	x	x
1809-10	3.12/16	2.8/16
1810-11	6.9/16	4.5/16
1811-12	8.4/16	8.7/16
1812-13	10.11/16	12.8/16

CALCUTTA-MANILLA

	Imports %	Exports %
1809-10	7.14/16	2.2/16
1810-11	10.4/16	3.11/16
1812-13	4.2/16	4.12/16

CALCUTTA - CHINA

	Imports %	Exports %
1807-8	20.14/16	17.9/16
1808-9	35.5/16	25.14/16
1809-10	30.7/16	19.15/16
1810-11	22.12/16	21.9/16
1811-12	26.8/16	18
1812-13	25.10/16	14.13/16

See Bengal Commercial Reports 1807-1812

of trade that forced the merchants to seek remittance through bills on the Court. It was never very profitable to the capitalists who lost the difference of interest between India and England and it really hit the slender resources of the agency houses. Naturally they wanted resumption of remittance through the normal channels of trade and avidly engrossed the share of the Americans when war broke out between England and America in 1812. But the Company with its inexorable monopoly was still there. So long as they were unable to increase Indian produce by increased investment of capital and carry the same to London in own shipping, so long as they were debarred from dealing freely in articles like silk or from bargaining freely for land and labour for extensive indigo manufacture,[1] they could not rest. It is clear, however, that there was a greater pressure on the monopoly from England than from India in 1813. While the established houses like the Palmers apprehended a chaotic competition in banking or indigo business once the trade was free,[2] the large shipping concerns like the Fairlies had much to fear from an invasion by British shipping on their close preserve of the carrying, country and coastal trade. The Lancashire manufacturer, who now

(1) The Government was becoming increasingly conscious of the oppressions and abuses committed by the indigo planters in the interior and taking steps to prevent them - particularly the system of forcing advances on the ryots and forcible cultivation. See Circular Letters sent on 13 and 20 July 1810 by G.G. in C. to Magistrates. Parl. Papers printed per order of the H.C. 27 April 1813. For cases see Europeans in India 1766-1824 I.O. 25

(2) John Palmer to George Millet 14 December 1809. Palmer Papers op.cit. Vol. 75 p. 61.

produced cotton yarn more cheaply then the Indian spinner, and the ship-owners and merchants at the outports, who wanted to redeem the loss of the American and Continental trade, formed the spear head of attack in 1813 though the Indian agency houses had prepared the soil before. The cost of No. 40 English yarn in 1812 was 2s 6d per lb. while the same yarn in India cost 3s 7d; the cost of No. 60 yarn was 3s 6d in England and 6s in India and so on.(1) Productive capacity had been greatly enhanced by the improvements of loom by Horrocks in 1803, 1805 and 1813, the discovery of mule machine by James Boulton in 1805 and a greater use of power in textile factories. The dyeing methods were improved by James Thompson in 1813. The distressed traders in Bristol or Liverpool, Manchester and Paisley thought it time to forge on the lead, already established by the European traders from India, with this new weapon of power. It would not be untrue to say they looked also with avarice on the rapidly growing country trade with China, Penang, the Gulfs and the Coasts which only the Europeans, resident in India, could exploit, while the newly acquired French and Dutch islands held out further possibilities of speculation.

The East India Company was not the only one to be sacrificed in 1813. The abolition of the India monopoly revolutionised the

(1) Comparative statement of the cost of English and Indian yarn in 1812 and 1830. Kennedy's evidence before the House of Commons 1831.

traditional pattern of trade between India and the West and shattered India's age-old economy. As the Commercial Monopoly of the Company succumbed to the much stronger economic force of industrial capitalism, so did the domestic economy of India, which was the basis of that monopoly, to the industrial economy of Britain. Beaten in excellence and cheapness, the Indian artisan was now to lose his own domestic market and the Indian spinner soon went the same road to ruin. With the speedy removal of the Company from the field of commerce qua commerce, the Indian textiles lost a valuable and constant patron whose long association with the producing class was more personal than the free traders ever cared to establish. Human hand would have lost to the machine in any age or place but equal opportunities were never given. When Indian manufacture needed all the protection in the World, ~~she~~ it was not only shut out of the European market by the Continental System but by prohibitive tariff which really acted as a bounty to British manufacture. The new Customs regulations in Bengal imposed additional burdens. Charles Trevelyan lays bare the ruinous process of this policy which not only made large scale production impossible for the lack of a national market but for the lack of cheap raw materials. Cotton paid 5% in raw state - $7\frac{1}{2}\%$ more when made up into yarn, $2\frac{1}{2}\%$ more when manufactured into piece goods and still another $2\frac{1}{2}\%$ if dyed.[1] After paying this 15% in transit duties (5% of which was drawn back on export) in India, plain calicoes had to face a duty of £3.16s.8d% for warehousing and £78.5s.8d% for home consumption in England. Under such circumstances Indian piece goods industry would have been killed even without the competition of the machine, Machinery only precipitated its destruction and made its decline look more cataclysmic.

The decline of the foreign European and American trade, the fall of demand for piece goods and the imposition of injurious transit and town duties[2] affected the mercantile class of Bengal. The Cornwallis system had not only deprived the natives of administrative jobs but the banians of their business as agents of the young Supervisors and Collectors who went out to Bengal's interior districts. The British agency houses had driven them from the field of export-import trade. These people were forced to invest in houses, lands and Government loans and, later, when the terms of such loans increasingly favoured the Europeans, in zemindaries, urbansites or internal trade. The spurt in native trade, due to the remarkable growth of the American commerce since 1795, has been noticed before. The Americans preferred the native banians to the British agency houses which charged 30% more for goods than the market rate and "who ever is dependent upon any of them for credit," wrote Henry Lee, one of the pioneer American traders, "must pay dearly for it...."[3]

(1) Charles Trevelyan. A Report upon the Inland Customs and Town Duties of the Bengal Presidency. Second edn. Baptist Mission Press, Calcutta 1835, p.6. Raw silk paid a transit duty of $7\frac{1}{2}\%$ on a fixed valuation; oil and oil seeds, $7\frac{1}{2}\%$ ad valorem; wrought copper and brass - 10% on a fixed valuation; sugar, goor, hides - 5% ad valorem.

(2) ibid. Town Duty Report pp. 7-28.

(3) Henry Lee to F. Lee, 13 May 1815. Kenneth Wiggins Porter. The Jacksons and the Lees. Two generations of Massachussets merchants 1765-1844. Harvard University Press 1937 Vol. II pp. 1139-40.

Ramdulal Day - Ram Dullol or just Dullol of the Jackson and Lee correspondence - was their chief banian at Calcutta from 1802 onwards.(1) He began an amazing career as a sircar of the Fairlies and by his assiduous industry, remarkable ability and proverbial honesty, built up a fortune of half a million at the lowest.(2) The Americans borrowed from him,(3) often to a large extent,(4) though he was charged with usury by Jackson(5) and with exaction by Lee.(6) But the stoppage of the American trade in 1808 and after 1811 injured these banians greatly and, after re-opening of trade in 1815, most of the American business went to the established European houses like the Palmers or the Alexanders.(7) In 1813 Ramdulal Day had one ship in the port of Calcutta - the last tragic gesture of the Bengalee ship-owner before complete annihilation.(8) Where even the European country traders failed to withstand the challenge of the free traders, it is idle to expect the Indian would hold his own.

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(1) P.T. Jackson to F. Cabot Lowell 26 November 1802 ibid Vol. I. p. 594.
(2) Thomas Bracken's evidence before S.C. H.C. 1832 ~~op.cit.~~ Q. 1930 et seq. Some other names mentioned by Bracken and Lee are : Ram Chunder Mitter, Tillock Bonarjea, Ramdullov Day, Duggo Pesaud. RuggoRam, Golluck and Kissen.
(3) P.T.Jackson to Ramdullol Day 27 July 1803. The Jacksons and the Lees op.cit. Vol. I p. 599.
(4) P.T.Jackson to Ram Dullol Day 6 October 1806 ibid p. 619.
(5) ibid.
(6) Henry Lee to P.T.Jackson 1813 ibid Vol. II p. 996.
(7) Henry Lee to C.D. Miles and R.C. Cabot 31 August ~~July~~ 1817. ibid pp. 1279-80.
(8) The only other names of Bengalee ship-owners in the East India Register and Directory up to 1813 are: Pancho Dutt (1805), Ramgopal Mullick (1809) and Muddan Dutt (1809).

The Parsee and the Mohammedan merchants fared better for a time in the Coastal and Gulf trade. One Dorabjee had three ships in that trade in 1803-5, Dorabjee Byramjee had as many as six in 1806 and Byramjee Cowajee two in 1813. Seid Hussein and Said Mohummed had one ship each in 1803 and Gullum Hussain shared one ship with an European. In 1813 Gullum Hussain was the owner of four pretty large ships and one Syed Sadock had one. But they had been already facing bitter rivalry from the Imam of Muscat's enlarged fleet and would soon fall back before private British ships.

There were two important consequences of the loss of the American customers and the decline of the Coastal and Gulf trade. The Bengalee traders came to be increasingly dependent for finance on the up-country shroffs who soon got a stranglehold on the internal trade of Bengal.(1) Secondly, the decline of the demand for indigenous products forced them to concentrate on the sale of British manufactures, which was still a losing concern. The imports by land into Calcutta fell considerably but

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(1) Some of the important banking houses were: Gopaul Doss, Monohar Doss, Urjoonjee Nathjee, Hurry Kishen Doss, Lalla Auggur Shen, Nundram Bydenaut, Brijoabullub Doss Goculdoss, Hadjee Hyder Hadjee Ahmud, Shaik Golaum Hussain, Meer Mahomed Sadick etc. See Milburn op.cit. p. 170.

Calcutta was sending more foreign articles into the interior.(1) The mercantile class of Bengal felt a depression on the eve of the Charter similar to that of the artisan class though it had still the foreign articles to rely on. The result of these tendencies was at once registered on the value of land which began to rise from 1811.(2) The pressure on land would relent no more and the class of artisans would gradually be transformed into landless labourers.

The end of the India monopoly did not solve all the private traders' problems. The China trade remained in the Company's hands and the trade in the East Indies in those of the country traders - both of which formed indispensable links in the chain of commerce between Europe and Asia. The speculators' dream of quick riches was to end in a glut. The Indian market did not prove so responsive as they thought. The remittance trade of the Company, which increased with years, collided with their export trade from India. Their grievances would be heard once again - against

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(1) Internal trade of Bengal

	Imports into Calcutta S.R.	Exports from Calcutta S.R.
1807	3,44,57,576	54,96,207
1808	2,44,82,596	63,52,401
1809	2,34,56,021	70,27,024
1810	2,65,37,467	65,08,407
1811	2,60,54,270	65,27,074
1812	2,79,12,927	72,12,547

Bengal Commercial Reports 1807-1812.

(2) G.G. in C. to Court (Revenue) 12 February 1811 and 19 June 1813.

the Company's strict control of silk, rivalry in indigo, financial policy and ultimately the China monopoly itself.

CHAPTER IV

Hastings and Private Trade

In this chapter I propose to deal with the effects of free trade on the commerce of Bengal and the finances of the Bengal Government. The Government came to help the agency houses, who were in need of cash through the exodus of capital before and the excessive speculation after 1813. This speculation, encouraged by the new customs regulations and the demand for Indian articles in Europe, resulted in the rise of exchange in favour of Bengal. The Wars of the Marquis of Hastings and the policy of accomodating the agency housew affected the Company's investments. The exchange declined with greater imports, particularly from Britain, while exports stagnated due to rise of prices of Bengal goods and fall of demand for her cotton and cotton manufactures. The private capitalists were forced to seek remittance in the Company's interest bills which necessitated an increase of the Company's exports. The Government's policy of debt-funding quickened this process further and inevitably brought the Company into conflict with the free traders who now pressed before the parliament for the abolition of its remaining privileges in the India trade and for a share of its China monopoly.

The coincidence of the opening of the India trade and the improvement of the British cotton manufacture seemed to inaugurate in 1813 a millenium for the free traders. For over fifty years all the great technological inventions in Britain had been working towards the perfection of cotton manufacture and the reduction of its cost of production. This seemed to be achieved by 1813. The problem of securing the means where with to buy the returns from India appeared to be solved for ever. There would no longer be any need for sending bullion at a great cost or woollens at a loss. There was a speculative boom in Indian commodities for re-export based on the break up of the Continental System, Napoleon's unsuccessful Russian campaign and an impatient anticipation of peace. The demand for Indian goods like indigo, silk and cotton was very high, the last particularly after the outbreak of the Anglo-American War. The free traders hoped to effect their purchases more cheaply with the produce of Manchester and carry them more profitably in their own ships to the less expensive outports thrown open after 1813.

The agency houses at Calcutta in 1813: The prominent agency houses in Bengal, however, were not so happy about it. They apprehended a veritable deluge of fortune-hunters and a diminution of profits so long shared among the big few. Already the total number of agency houses had risen from 16 in 1803 to 25 in 1812 and of insurance companies from 6 to 11. More remarkable had been the changes in different partnerships which show how fortunes, made in India, were being transferred with their owners to England and how the latter were replaced by a new band of adventurers out to make good in the same hard way. Increase of numbers without appreciable increase of capital presaged ruthless competition.

Usually the capital of the departing merchant would not be taken away all at once, perhaps it could not be. It might have been distributed among the Tirhoot indigo-planters, the Mirjapore cotton-dealers and the Canton opium-agents; it might have been, in the form of a country ship, bringing horses from the Gulf, salt from the coast of Coromandel or timber from Pegu. He would keep a portion of his capital in India where interest, until recently, had been very high and investment, if more risky, was more remunerative than in England.[1] Fairlie, Gilmore & Co. became Fairlie, Fergusson & Co. in 1811 when the redoubtable William Fairlie went home to London to found Fairlie, Bonham & Co. Cockerell, Trail, Palmer & Co. of 1803 became Trail, Palmer & Co. in 1806 and Palmer & Co. in 1810 with the departure of the senior partners but Trail and Cockerell kept a considerable part of their funds with the Palmers. Alexander & Co evolved out of Gardiner, Alexander & Co. in 1805 and Cruttenden, Mackillop and Co. could trace their descent from Downie & Maitland of 1803 - a metamorphis worthy of a chrysallis.[2]

But these houses felt acutely any shortage of capital caused by transfer by their clients or withdrawal by their partners because they had never been content with mere agency business and had been engaged in enterprises of their own on borrowed capital. The Fairlies still owned the largest amount

(1) Thomas Bracken's evidence before S.C.H.C. 1832. Q. 1801

(2) The East India Register and Directory for the years 1803-1813.

of Calcutta shipping and controlled the Calcutta Insurance Office and the Calcutta Life Insurance Company, besides dealing in opium and indigo on a large scale. John Palmer was the indigo-king, running concerns all over Bengal, but his firm also dealt heavily in government securities, had six ships (one short of the Fairlies), controlled a bank and the Canton Insurance Company.(1) The Alexanders ran the Bank of Hindostan, the Asiatic Insurance Company, a number of indigo plantations and were to start pioneer mining operations in Bengal coal at Burdwan.(2) The last two were the most reliable houses in Calcutta in 1813 according to Henry Lee who, with P.T. Jackson, was one of the first Americans to trade with India.(3) Among the lesser luminaries Hogue, Davidson & Co. were principally ship-owners; Colvins, Bazett and Co specialised in piece goods; Johannes Sarkies & Co. monopolised the Armenian business and Joseph Baretto & Co. the Portugese. Most of them dabbled in indigo and opium, which required constant inflow of fluid capital.

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(1) Palmer Papers op.cit.
(2) Thomas Bracken's evidence op.cit Q. 1853 et seq.
(3) Henry Lee to F. Lee. 14 November 1813. op.cit Vol. II p. 1081.

Scarcity of capital and speculations of free traders: The European agency houses, had been in great distress for some time from an acute scarcity in the money market caused by the transfer of India debt, heavy military expenditure on Minto's different expeditions and the failure of bullion import from foreign Europe and America. On the top of that bullion had been sent from Bengal for several years to meet the demand of bills on the Court. They began to sell out their stock of securities, the price of which naturally fell and the Government had to come to their help with a cash loan. Notwithstanding this help the discount on securities in December 1812 was 10% and the palliative of advance payment of interest did not appreciably lessen the demand for cash[1] which had been still further enhanced when private merchants began to arrive with bills on the agency houses from their absentee partners who wanted in this way to draw their capital to England where interest rate almost equalled the India rate.[2] The rate of interest in the private market rose to 12% in February 1813.[3] However they might dislike it, the agency houses were now dependent on the native

(1) G.G. in C. to the Court (Financial) 19 December 1812.
(2) G.G. in C. to the Court (Financial) 27 March 1813 also Henry Lee to F. Lee 14 November 1813. The Jacksons and the Lees op.cit. Vol. II p. 1084.
(3) H. Lee to P.T. Jackson 14 February 1813 ibid p. 1079.

bankers or on their resources of the government securities.

Their fortunes by now had been so intertwined with the Company's finance in India that their distress could not fail to have repercussions on the Bengal budget. It was impossible to obey the Secret Committee's orders to send about £2½ millions in investment and £1 million in specie in 1813 without incurring any loan.(1) It was equally absurd to raise the sum at the low rate of interest which the Government had paid in the last few years. Even a new remittable loan at 6%, opened on 1 July 1813, failed as also the plan of selling treasury notes for bills on England. The Company's bills at 2s 6d the sicca rupee were no longer sought for as merchants got a higher exchange in private transaction. The principal reason of the rise of exchange was the commencement of a hectic speculation in the Bengal goods for the British market. Inspite of larger imports of British goods during 1810-12 than during 1807-1810, the net excess of exports from Bengal in 1813-14 was S.R. 2,37,84,386, the actual value of which came up to S.R. 3,27,01,998 or S.R. 61,86,746 more than the average excess of exports between 1807 and 1812.(2) This excess was being paid for

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(1) Secret Committee to G.G. in C. 4 April 1812.

(2) As prices of the Indian articles rose higher and higher the Customs House valuation of exports fell far short of their actual values. For example, indigo was always valued at the fixed rate of S.R. 100 per factory maund while it was selling for S.R. 160 in 1813 and shot beyond S.R. 300 between 1813 and 1833. Similar adjustments should be made in the case of raw silk, valued at a fixed rate of S.R. 6 or S.R. 7 per seer,

Foot Note (2) continued.

while often selling for S.R. 12 or S.R. 13. Value of cotton should be adjusted at least after 1816. In the case of imports value of merchandise should be adjusted as the exchange was favourable or unfavourable. In the first years of free trade they were over-valued by 20%, in latter years undervalued by 5 or 6%. Assuming, however, their invoice value never gave the highest value - little correction need be made. But imports of bullion, largely in dollars, had always been over valued at 100 dollars per 225 sicca rupees while their mint value was at most S.R. 206. 8 as. H. H. Wilson in "A Review of the External Commerce of Bengal from 1813-14 to 1827-28" (Calcutta, 1830) and G.A. Prinsep in "Remarks on the External Commerce and Exchanges of Bengal with appendixes of accounts and estimates" (London, 1823) had compiled correct valuations in view of the above and I have accepted Wilson's figures which are corroborated by Eur. MSS. D. 281. Customs House valuations are taken from Bengal Commercial Reports as before.

by merchants in bills on London. For every rupee (which had become scarce) lent to them for speculation in the Indian articles they had to promise a higher sterling value.(1) Bills on London at six months date rose from 2s 6d to 2s 7d in November 1813 and to 2s 8d in January 1814 and Henry Lee was afraid that the arrival of the free trade ships would raise the exchange value of the rupee still further.(2) As trade with Lisbon was meagre, America had not yet resumed commercial relations and country trade remained fluctuating, the merchants were dependent on trade with Britain with inevitable repercussions on the exchange.(3)

Thus free trade augured ill for the Company. The surplus revenue might be large, the debt and interest charges might have decreased but competition would diminish the value of imports. The rate of interest, which had been lowered to 6%, would be too low to attract loans. Bills on the Court, either for cash or on the debt account, which had been a resource for the investment before, would no longer be demanded. How then to send an extended investment in indigo or bullion? How to send increased supplies to Java, China and Isle of France? And if another war broke out......These questions loomed large in the horizon when Lord Moira landed at Calcutta on 4 October 1813.

(1) G.G. in C. to Court (Financial) 30 October 1813.
(2) Henry Lee to Frank Lee 24 January 1814. The Jacksons and the Lees op.cit. p. 1091. Henry Lee to W. Oliver 24 February 1814 ibid p. 1095.
(3) (see following page)

Foot Note (3) (cont.)

CALCUTTA - WORLD

Yr.	The Company: Imports Merchandise S.R.	The Company: Imports Treasure S.R.	The Company: Exports Merchandise S.R.	The Company: Exports Treasure S.R.	Private Trade: Imports Merchandise S.R.	Private Trade: Imports Treasure S.R.	Private Trade: Exports Merchandise S.R.	Private Trade: Exports Treasure S.R.
1813-14	43,76,589	x	1,09,10,631	x	1,25,34,728	57,55,366	3,54,97,688	42,750

CALCUTTA - U.K.

Yr.	The Company: Imports Merchandise S.R.	The Company: Imports Treasure S.R.	The Company: Exports Merchandise S.R.	The Company: Exports Treasure S.R.	Private Trade: Imports Merchandise S.R.	Private Trade: Imports Treasure S.R.	Private Trade: Exports Merchandise S.R.	Private Trade: Exports Treasure S.R.
1813-14	32,12,346	x	99,49,193	x	53,76,775	32,750	1,19,63,405	x

Yr.	CALCUTTA - LISBON Imports S.R.	CALCUTTA - LISBON Exports S.R.	CALCUTTA - CHINA Imports S.R.	CALCUTTA - CHINA Exports S.R.	CALCUTTA - COROMANDEL Imports S.R.	CALCUTTA - COROMANDEL Exports S.R.
1813-14	1,69,911	5,70,439	53,35,068	92,86,494	7,85,223	21,73,169

Yr.	CALCUTTA - MAURITIUS Imports. S.R.	CALCUTTA - MAURITIUS Exports S.R.
1813-14	4,30,663	8,07,857

Yr.	CALCUTTA - MALABAR Imports S.R.	CALCUTTA - MALABAR Exports S.R.	CALCUTTA - GULFS Imports S.R.	CALCUTTA - GULFS Exports S.R.	CALCUTTA - PENANG Imports S.R.	CALCUTTA - PENANG Exports S.R.
1813-14	12,05,544	28,27,381	11,62,489	28,07,953	13,26,072	21,54,496

Yr.	CALCUTTA - MANILLA Imports	CALCUTTA - MANILLA Exports	CALCUTTA - BRAZIL Imports S.R.	CALCUTTA - BRAZIL Exports S.R.	CALCUTTA - SUMATRA Imports	CALCUTTA - SUMATRA Exports
1813-14	2,40,429	8,587	1,57,971	3,31,171	6,65,109	4,25,148

Bengal Commercial Reports.

Finance: effects of free trade and war: There could not have been two persons more different in character than Minto and Moira. Minto had been educated in France under David Hume's guardianship and in Edinburgh in the heyday of Adam Smith. He had helped in the impeachment of Hastings and himself conducted the impeachment of Impey. Moira was known as a Regency rake, a stern martinet in the War of American Independence and now a boon companion of the Prince Regent who had secured him the Governor generalship to bolster up his sagging fortunes and to enable him to pay off his enormous debts.(1) Yet this man had an energetic drive which Minto lacked. He seemed to blossom out on the Indian soil and, from the beginning, to realise the essential obligation of Imperial expansion which Wellesley was not allowed to fulfil, Barlow had to shelve in a patched up truce and Minto had neither the inclination nor the sanction to encounter. "Within British territories," Moira wrote to his Princely patron, "all is quiet and well, on their borders the spirit is not so placid." In the north of the Gangetic valley, which formed the core of the Bengal Presidency, the Nepalese had been indulging in border raids; in the south of it the Pindari freebooters, with the connivance of the weak and sullen Maratha rulers, had been sowing murder and rapine. "Breaches, not formidable but likely to be troublesome, have been

(1) T. Metcalfe to C. Metcalfe. 1 April 1813 Home Misc. 738 p. 397.

postponed by management till the palliative will serve no longer."[1] We hear in these words the distant rumble of Ochterlony's and Hislop's guns.

What sort of resources had he for undertaking the completion of the imperial edifice? "I have found the government, in a state of great pecuniary embarrassment. The Directors were so urgent with me to send home treasure that I overcame the reluctance of my colleagues ...... we, however, in consequence have been on the brink of great distress." - thus Moira summed up his position on taking over.[2] The disbursements on account of Bombay, Madras, China, the newly conquered islands and the embassy in Persia together with an investment of about a crore had turned a Bengal surplus of S.R. 2,05,41,213 into a deficit.[3] The excess of supplies from India to London - £1,867,500 in 1813-14 - exceeded the net Indian surplus revenue, which was £1,816,648.[4] Discount on the Government securities was 12% in October 1813[5] and the rate of interest in the private market about the same. In one year the former ~~had risen~~ rose to 13%[6] and the latter to 18 to 21%.[7] The first batch of free traders had brought

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(1) Moira to Prince Regent 19 October 1813. A. Aspinall (Ed.) Letters of George IV vol. I p. 314.
(2) The Private Journal of the Marquess of Hastings. The Marchioness of Bute (Ed.) 2nd Edn. 1858. Vol. I pp. 39-40. See also Hastings - "Operations in India, with their Results from the 30th April 1814 to the 1 January 1823 etc." Add. MSS. 38,411 f. 176.
(3) Bills drawn on Bengal : 1813-14 S.R. 1,77,39,272
1814-15 S.R. 1,77,58,253
See also Hastings Private Journal op.cit. pp. 40-41.
(4) G.G. in C. to Court (Financial) 31 December 1814.
(5) Hastings, Operations etc. op.cit.
(6) G.G. in C. to Court 15 October 1814.
(7) Henry Lee to Sam. Williams 21 October 1814. The Jacksons and the Lees op.cit. p. 1115.

bills instead of cash as Henry Lee had predicted. To meet these bills or to engage on commercial speculation on their own account, the agency houses borrowed money from the Shroffs at higher interest or sold their stocks of securities or drew bills at higher exchange. "The high prices which indigo, cotton, sugar and other articles of Colonial produce are reported to have produced at the period of our latest advices from England, would enable the manufacturer or the exporting merchant, to allow a high rate of interest on the capital .... and it cannot be doubted that many individuals have been induced to realize their government paper, either for the purpose of engaging in commercial adventure themselves, or of obtaining a high rate of interest from those who have embarked on such adventures."(1) The problem before the Government was how to reduce the discount on the securities, obtain funds for the investment strictly according to the Court's Orders, and meet the deficiency caused by large disbursements without paying a higher interest.

While ordering separation of the commercial and the territorial accounts and appropriation of funds according to the provisions of the Charter Act of 1813, the Court had assumed that there should be a sufficient surplus in India capable of defraying

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(1) G.G. in C. to Court 15 October 1814.

all territorial charges in India and England as well as of reducing debt.(1) It noted the insufficiency of the average surplus for several years (about £1 million) for such purposes and urged reduction of expenses by at least £500,000 per year. It also asked the Government to draw bills in order to meet any deficiency in the funds for the investment which now consisted of a sum equivalent to that spent on the home charges and the returns of imports. Against interest bills, which fell in a different category, the Government was to provide either by advances towards the public service or by payment of bills drawn by the Court, or by extended investment and, if all these media failed, by exports of bullion. The insistence on a large surplus and on the remittance against interest bills proceeded from two different considerations. The Company was unwilling to increase its debt further and hoped to reduce the present one before any emergency occurred. It was much more unwilling to incur any default in the payment of interest bills - which might force it again to appeal to the Parliament for assistance.(2) Moreover with success in the European war, it hoped to catch a rising market for Indian articles and wanted to be definite about its Indian investment. It did not rest content with ordering bigger

(1) Court to G.G. in C. (Public) 6 September 1813, (Financial) 6 June 1814, and (FINANCIAL) 16 August 1814.
(2) Court to G.G. in C. (Comm^l) 18 February 1814

investments for 1814 and 1815 but furnished resources in the shape of a large amount of British goods and stores, even though their market was glutted. The indent for Bengal silk amounted to S.R. 54,77,821 in 1814 and S.R. 42,00,000 in 1815 - for piece goods - to S.R. 43,28,536 and S.R. 30,00,000 respectively, besides sugar, cotton, hemp, sunn and lacklake.(1)

The Bengal Government was unable to comply. It pointed out the many pores it was bleeding through, the unadvisability of retrenchment in the military department and appealed for the Court's sanction for a regular debt transfer through the Company's channel - about £500,000 per year - which alone would keep down discount and furnish the Government with a source for full investment.(2) When no reply came and its salt and opium revenue were affected, it advanced 6 lakhs to the agency houses, "to unloosen native capital",(3) and opened a 6% remittable loan for those who had not availed themselves of the opportunity before. Later it rendered further help with another advance payment of interest.(4) The Government was, however, powerless to help itself for nobody would lend at 6% and the exchange value of sicca rupee had risen in the private market to 2s 9d.(5) It had to cut down the invest-

(1) Court to G.G. in C. (Comm[l]) 9 April 1813. 24 May 1814 and 3 June 1814.
(2) G.G. in C. to Court (Territorial Financial) 18 December 1813.
(3) G.G. in C. to Court (Financial) 18 June 1814.
(4) G.G. in C. to Court (Financial) 15 October 1814.
(5) G.G. in C. to Court (Financial) 31 December 1814.

ment of 1814-15 to 60 lakhs.

In these circumstances the Nepal war began on 1 November 1814. The stiff resistance of the Gurkhas upset all hopes of early success. To produce a full investment in 1815 the Government had to persuade the Nawab of Oudh to offer a loan of S.R. 1,04,00,000 at 6% - the interest covering allowances and pensions to the members of the Vizier's family which had been guaranteed by the Company earlier. Surprisingly enough it was not wholly applied to the investment but, according to the Accountant General's advice, the Vice President in Council, in absence of Lord Moira, applied 54 lakhs to the payment of 8% loans by way of relief to the agency houses.(1) Discount on 6% remittable paper, 16% in November 1814, came down to 9% in consequence and the opium and salt revenues improved(2) but the investment was affected adversely.

Though the Court promised to send bullion in 1814,(3) it did not send any before 1815(4) (which reached Bengal in 1816) and it seemed unwilling to risk commercial funds in apprehension of their diversion to military adventure. At the same time it stopped the remittable loan. The Government reacted in a way which showed how deeply it was committed to the agency house interest. In the absence of the Governor General it again procured a loan of one crore from

(1) Financial Consultations 19 November 1814. See also Hastings - Operations etc. op.cit.
(2) G.G. in C. to Court (Financial) 31 December 1814.
(3) Court to G.G. in C. (Financial) 16 August 1814.
(4) Secret Commercial letter of the Court 7 October 1815 and 10 November 1815. £800,000 in all was sent, partly to be applied to service of H.M.G.

the Vizier - ostensibly to finance war, which was no time for "over scrupulous regard to appearances"(1) - but spent 48 lakhs of it in payment of loans for further alleviation of scarcity in the money-market. In a private letter to the Chairman Lord Moira indignantly wrote - "At the time, the measure appeared to me so strangely inapplicable to our circumstances as to make me regard its adoption with wonder, 'tho I imputed it to the pleaded apprehension, however extravagant, of necessity. I do now fear it was devised, without due sense of the inconvenience it might entail, to lower the estimation of a success which had been treated as a visionary hope."(2) Though he ascribed such behaviour to an attempt "to create a belief that our advantages (in the Nepal War) had been purchased by a disproportioned and oppressive waste of money," while the Nepal war in his view cost only 34 lakhs,(3) the real motive was amelioration of the mercantile distress for cash.

The Nepal War ended in success with the Treaty of Sagauli on 2 March 1816 which gave the British Garhwal and Kumaon with the greater part of the Tarai but not before increasing the Bengal debt and reducing the investment. The Bengal surplus,

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(1) G.G. in C. to Court (Financial) 18 February 1815 and 16 June 1815.

(2) Hastings to Chairman 26 January 1819 Private Letters of the Marquess of Hastings 1818-19, India Office (now Commonwealth Relations Office)

(3) ibid.

S.R. 1,84,03,853 in 1814-15, was further reduced to S.R. 1,47,78,775 in 1815-16 and the Indian surplus from £1,410,825 to £437,500. A debt of S.R. 1,45,98,442 was incurred even after the Vizier's second loan had been paid off with Kyraghur, a district wrested from Nepal. The investment for 1815-16 had dwindled to S.R. 55,49,604, (1) which, compared to the average of five years ending in 1813-14, was about 36% less and inspite of the import of bullion worth £800,000, the Government limited its amount to 60 lakhs in 1816. (2)

Excess of Imports and fall of exchange: The situation improved considerably in 1816 with greater imports of bullion and merchandise from England on private account and resumption of trade relations with foreign Europe and America. Fall in bullion price after the Napoleonic Wars made it more worthwhile for merchants to send dollars to India than procure in India money for bills at an unfavourable exchange. (3) Capital scarcity in Bengal was largely met from such supplies. In response to the appeals from their Bengal constituents the London agency houses began to remit capital in the shape of merchandise - a tendency, conspicuous in the years between 1810 and 1812, when the effect of the exodus of capital from Bengal was first felt by the mercantile community,

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(1) Total value of the Company's exports from Bengal in 1815 - S.R. 64,22,719.

(2) G.G. in C. to Court (Terr. Fin.) 26 April 1816.

(3) This was predicted by Henry Lee. See Henry Lee to Francis Lee. 1 and 2 February 1815. The Jacksons and the Lees op.cit. p. 1124.

but absent in 1813 and 1814 when the private traders preferred to bring bills instead of merchandise. The excess of exports from Bengal on both the Company's and the private accounts had been S.R. 2,03,73,077 in 1814 according to the Customs House valuation (actually - S.R. 2,99,66,077) and S.R. 2,02,31,492 in 1815 (actually - S.R. 3,22,13,566). But there was an excess of imports to the extent of S.R. 7,55,091 in 1816 (actually still an excess of exports amounting to S.R. 1,15,61,745).(1)

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(1) CALCUTTA - WORLD

IMPORTS (Customs House)

Yr.	The Company			The Private Traders		
	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1814-15	41,45,339	x	41,45,339	1,17,96,802	1,11,84,285	2,29,81,087
1815-16	34,83,797	x	34,83,797	1,32,45,798	1,94,49,746	3,26,95,544
1816-17	19,77,071	87,53,178	1,07,30,249	1,87,96,053	3,25,82,140	5,13,78,193

EXPORTS (Customs House)

Yr.	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1814-15	64,82,151	x	64,82,151	4,08,62,727	1,54,625	4,10,17,352
1815-16	64,22,719	x	64,22,719	4,99,72,366	15,750	4,99,88,116
1816-17	61,97,223	x	61,97,223	5,49,87,128	1,69,000	5,51,56,128

Bengal Commercial Reports.

For actual values see H.H. Wilson A Review of the External Commerce of Bengal etc. op.cit. Tables 1 to 6.

Trade between Bengal and Britain showed the same effects.[1] The value of copper imported on private account rose from S.R. 78,581 in 1813 to S.R. 5,42,267 in 1816; of iron from S.R. 2,30,547 to S.R. 5,83,610, of woollens from S.R. 1,84,521 to S.R. 2,38,616 and of cotton piece goods from S.R. 91,835 to S.R. 3,13,102. Almost all items of imports (except wines) rose in value and still more in quantity as their prices began to fall in England. The Customs Regulations of 1815 spurred on the tendency still further.

Early in 1814 Canning and some other Parliamentary representatives of the industrial towns of England had enquired about a reform of the Customs Regulations of 1809 and 1810 which, according to the private traders, had been injurious to their interests. Robert Thornton, the Chairman of the Court, tried to justify the Regulations[2] but the Board seemed to accept the other point of view. Courtenay in a report on the Customs in India categorically stated, "....the Company have hitherto, in executing the power of imposing taxes, blended their characters of sovereign and merchants, but they must in future lose sight of their mercantile interests in the execution of their political trust; their impositions will not henceforward spring from any factorial rights or commercial privileges but from the obligations to which all governments are subject - in the exercise of fiscal power,

(Footnotes on following page)

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(1) CALCUTTA - U.K. (CUSTOMS HOUSE)

Yr.	The Company				Private Trade			
	Imports		Exports		Imports		Exports	
	Merchan-dise	Treasure	Merchan-dise	Treasure	Merchan-dise	Treasure	Merchan-dise	Treasure
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1814-15	36,04,633	x	59,31,793	x	40,99,165	5,25,127	1,21,42,283	x
1815-16	29,14,327	x	55,49,604	x	75,52,886	11,42,596	1,64,44,208	x
1816-17	14,45,568	76,99,554	56,03,974	x	80,51,112	18,59,853	1,38,06,966	x

	CALCUTTA - LISBON		CALCUTTA - U.S.		CALCUTTA - FRANCE	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1814-15	10,55,450	17,37,666	-	-	-	-
1815-16	36,92,832	27,28,922	50,16,654	44,21,435	-	-
1816-17	72,18,179	46,34,531	62,56,028	59,98,251	4,12,374	8,32,992

	CALCUTTA - CHINA		CALCUTTA - COROMANDEL		CALCUTTA - MALABAR	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1814-15	69,17,170	1,09,33,183	6,81,463	16,75,413	22,03,515	45,01,687
1815-16	54,33,309	90,37,912	20,01,910	14,27,372	8,15,724	31,46,361
1816-17	1,00,48,381	1,06,78,962	9,65,886	12,50,497	11,37,831	37,85,203

	CALCUTTA - PENANG		CALCUTTA - GULFS		CALCUTTA - JAVA	
1814-15	14,86,610	25,18,901	15,40,832	24,04,422	6,29,072	10,11,387
1815-16	12,74,843	21,83,970	19,05,847	36,06,021	8,11,302	11,67,464
1816-17	12,17,794	14,75,600	52,30,630	44,32,777	16,24,316	5,40,381

	CALCUTTA - MANILLA		CALCUTTA - BRAZIL		CALCUTTA - MAURITIUS	
1814-15	3,55,714	4,18,827	14,08,163	10,54,211	2,92,814	6,08,665
1815-16	7,54,559	63,110	13,28,514	16,78,122	4,67,705	18,41,998
1816-17	17,70,072	12,50,662	25,04,625	16,94,951	10,07,101	20,46,431

Bengal Commercial Reports -

(2) See Home Misc. 61 pp. 365-71.

and must accordingly be regarded by the general principles of political economy."[1] The Committee of Correspondence had to agree to the Board's suggestions. The cardinal principle, as laid down in their recommendations for customs reform in Bengal, was encouragement of imports from the United Kingdom in the British or the India-built ships. Import duties on woollens, metals and marine stores from England were to be entirely abolished - while a duty of only 2½% was to be retained on other produce of the same country except wines and spirits on which the earlier duty of 10% was to prevail. A duty of 5% was to be levied on the produce of foreign Europe and America, if imported in the British or the India-built vessles, but was to be doubled if imported in other vessels. A similar differential treatment was envisaged for exports according to their destination and the nationality of vessels that carried them. Indigo, the produce of the Company's provinces, if sent to England, was to be allowed the whole as drawback - and this would also apply to hemp, sunn and cotton. Piece goods, silk and saltpetre, exported to England, were to be given such a drawback as would leave a net duty of 2½%. Transit duties were to be retained, however, except in the case of cotton which were reduced from 10% to 5%. The Bengal rate of duties was the maximum,

(1) Report by Mr. Courtenay relative to duties on exports, imports and transit of goods in India with reference to provisions of Sec. 25 and 98 of 53 Geo. III Cap. 155, 25 January 1814. Home Misc. 523 pp. 5-6.

the other provinces were to follow her and duty, once paid, could not be charged again in the port to port trade. These recommendations were sent to Bengal and incorporated in Regulation IV of 1815.

It redounds to the sense of justice of the Court that it advised the Bengal Government to reduce the scale of transit duties which affected internal trade and tilted the balance in favour of the British cotton manufacture, (1) the sole duty on which was now the import duty of 2½%, while over and above the full transit duty to Calcutta and the export duty of 2½%, Bengal cotton manufacture had to pay a prohibitive duty in London even after the reforms of 1813. (2) The ideal of free trade presumably applied to raw materials

(1) Court to G.G. in C. (Separate) 28 December 1814.

(2) Duties on articles imported from the East Indies established by the resolutions of the Parliament of 18 November 1812.

Article	Warehousing duty: Permanent £. s. d.	Warehousing duty: Temporary £. s. d.	Duty payable on home consumption: Permanent £. s. d.	Duty payable on home consumption: Temperary £. s. d.
Muslins plain per £100	4 - -	1 - -	26 - -	6.10. -
Plain white Calicoes do.	4 - -	1 - -	50 - -	12.10 -
White Calicoes flowered and stitched do.do.	4 - -	1 - -	26 - -	6.10 -
Indigo per lb.	- - 1	- - 1	- - 2	- - ½
Bengal silk per lb.	- - 4	- - 1	- 3 -	- - 9
Sugar per cwt.	- 1 -	- - 3	2 - -	- - -
Coffee per cwt	- 4 -	- 1 -	1.17. 4	- 9 4
Cotton wool per 100 lbs			- 8 7	8 4
Cotton yarn per lb.			- - 8	- - 2

alone. As a result of this Regulation, the private imports into Bengal rose so rapidly after 1815 that the Company had to alter its import policy. Its imports had shown profits on all counts up to 1815 inspite of enhanced private imports during 1810-13. But average sale prices of its goods had been falling regularly since 1813 (1) and, faced with the new spurt of competition, it had to reduce the scale from 1816. (2)

Due to the combined operation of the Government's assistance with cash loans and advance payment of interest and principal, arrival of capital from England, resumption of trade with Foreign Europe and America and decline of remittance from Bengal through excessive exports (which took place in 1813 and 1814) - capital became less scarce than before. Discount on the securities came down to Rs. 1 - 3 as % in December 1816 (3) and the rate of exchange fell to 2s 7d. The Government could breathe more freely as profits from opium began to rise. Average price of opium in 1813 was S.R. 1427-10-3 per chest. It was S.R. 2178-7-3 in 1816. (4) The agency houses were

(1) J. Phipps - A Guide to Commerce of Bengal, Calcutta, 1823 pp. 189-204.

(2) Import Warehousekeeper to President of the Bengal Board of Trade 10 February 1817. Sale of 1815-16 exceeded the average of past twelve years by S.R. 9,98,869 but it had fallen from the sale of 1814-15 and the rate of profit was dwindling - showing positive loss on iron, cutlery, tin, Madeira and Claret. See also Court to G.G. in C. (Comml, Fin.) 2 April 1817.

(3) G.G. in C. to Court (Territorial Financial) 16 December 1816.

(4) Home Misc. 762 p. 157. General result of opium speculation since 1797/98 to 1821/22 furnished by Swinton, Larkins and Lindsay on 27 August 1822.

Export of Opium from Bengal (S.R.)

Yr.	Penang	China	Java
1813	12,47,655	55,71,277	2,33,225
1816	11,45,981	68,56,385	3,65,408

having a windfall in indigo as well. As it provided a better remittance than the bills on the Court its price rose sharply to S.R. 220 - 230 per factory maund in October 1814[1] and continued high in 1815 - artificially rigged up by the agency houses. But the tendency of over speculation in opium and indigo was producing its own nemesis. The phenomenal profits in the former drew the competition of Malwa and Turkish opium to the Eastern market and over production[2] and excessive exports[3] brought down the price of indigo to 6s a lb. in London at the end of 1815.[4] More than 100,000 maunds of indigo were being produced each year when its exports were checked in 1816, unfortunately only for three years.

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(1) H. Lee to Sam. Williams 21 October 1814. The Jacksons and the Lees op.cit Vol. II pp. 1112-1113.

(2) Indigo imported into Calcutta from the interior

1813	-	74,505	factory maunds
1814	-	108,000	"
1815	-	115,000	"
1816	-	83,000	"

J. Phipps - A Guide to Commerce of Bengal. op.cit. p. 258.

(3) Indigo exported to all parts of the World and to U.K. (CUSTOMS HOUSE).

Yr.	Total export S.R.	Export to U.K. S.R.
1813	97,79,194	91,32,531
1814	72,49,337	61,38,189
1815	1,28,91,953	1,01,93,934
1816	88,74,885	63,05,702

* Actual values much more than the Customs House values.

(4) H. Lee to F. Lee 16 May 1815. The Jacksons and the Lees op.cit. pp. 1140 - 41.

The arrival of the free traders had enhanced the prices of almost all Indian articles besides these highly speculative drugs. The most in demand were cotton and raw silk. Cotton prices ruled high in America after the Anglo-American War due to rise of the value of land and slaves.(1) This went on up to 1818 and the British manufacture had to depend on the Indian product. Export of Bengal cotton to Britain rose from 19,137 bales in 1815 to 72,999 bales in 1816 - to China from 93,400 bales to 110,059 bales.(2) As early as 1814 Bengal cotton sold for 15d to 17d per lb. in Britain and, under the impetus of greater demand, exports rose, speculation ensued and the price of cotton went up in Bengal from S.R. 15 to S.R. 15/8 per maund in 1814 and to S.R. 17/8 in 1816. A similar tendency worked itself out in sugar, the price of which rose with exports from S.R. 8/8 to S.R. 9/8 to S.R. 10 to S.R. 11/8.(3) Silk was difficult to procure due to the Company's strict control. It was the only article

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(1) Henry Lee to Mills and Cabot 31 August 1817 ibid p. 1280., Henry Lee to Messers Hottingue & Co. 13 February 1818, ibid, p. 1327.

(2) Bengal Commercial Reports 1818-19
Cotton exported to all parts of the World and to U.K. (CUSTOMS HOUSE)

Yr.	Total Exports S.R.	Exports to U.K. S.R.
1815-16	38,21,475	6,57,487
1816-17	76,89,368	31,84,791
1817-18	1,10,13,074	53,69,791
1818-19	89,76,861	37,82,030

(3) Sugar exported to all parts of the World and to U.K. (CUSTOMS HOUSE)

Yr.	Total Exports S.R.	Exports to U.K. S.R.
1814-15	21,14,689	8,98,252
1815-16	23,23,927	8,17,357
1816-17	34,19,411	10,43,713
1817-18	38,81,397	12,49,012

which gave it a sure remittance (1) and the supply of the article beyond its investment was mainly monopolised by its Commercial Residents. Export of silk to U.K. on private account was meagre and, as we will see, that proved to be one of their chief grievances. (2) The private traders kept up a considerable export of piece goods to America in the first two years of trade after resumption and to the Eastern islands, Isle of France, Lisbon, Brazil and South America for a longer period. But export to Britain sank lower and lower. The duties were still too high there and when the policy of protection was initiated by America in 1815, there was little hope for a resuscitation. (3)

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(1) Export of Raw Silk on the Company's Account

Yr.	Total cost and charges S.R.	Remittance obtained £.	s.	d.
1814-15	29,57,188	-	2.	9.4
1815-16	21,59,178	-	3.	5.2
1816-17	24,28,030	-	4.	8.7
1817-18	51,03,414	-	3.	6

App. 22 to Report of S.C.H.C. 1831

(2) Private Export of Raw Silk. (CUSTOMS HOUSE)

Yr.	Total Export S.R.	Export to U.K. S.R.
1814-15	33,12,709	8,60,370
1815-16	28,88,057	14,94,976
1816-17	17,72,525	4,67,493
1817-18	19,57,262	9,42,062

(3) Private Export of Piece goods (CUSTOMS HOUSE)

Yr.	Total Export S.R.	Export to U.K. S.R.
1814-15	84,95,599	15,87,311
1815-16	1,31,56,587	12,97,061
1816-17	1,65,99,943	6,78,059
1817-18	1,32,34,725	4,37,107

In estimating the effects of free trade on American commerce with Bengal Henry Lee in 1816-17 foresaw the fate soon to overtake the Bengal products in the world market. "We have lost our carrying trade which once was so profitable....." he wailed. (1) The war was over, the advantage of neutrality obtained no longer and the private British ships had reduced the freight to £6 - £8 per ton. (2) Double duties in India and 60 to 70 % tariffs on Bengal piece goods in America had struck at the root of direct trade. Lee was now sending sugar and indigo to the Continent and the piece goods to South America, West Indies, Italy and Holland. (3) He was uneasy about the future. He apprehended Java sugar would beat Indian sugar and, on reduction of price, American cotton would drive Indian cotton out of the London market. "I am convinced while in Calcutta, that in all the fine sorts of cotton cloths, and coarser kinds of muslins such are made in Scotland, British manufacturers would undersell the India, and in time get in to use among the natives." (4) He indicated also the potential danger of over speculation in indigo and ship-building. (5) The cheaper British

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(1) Henry Lee to Alexander & Co. 30 September 1816. The Jacksons and the Lees op.cit. p. 1207.
(2) Henry Lee to Sam. Williams. 12 October 1817 ibid p. 1298.
(3) Henry Lee to Fletcher, Alexander & Co. London, 23 February 1817 ibid. p. 1233.
(4) Henry Lee to Sam. Williams 12 October 1817 op.cit.
(5) Henry Lee to F. Lee. 8 May 1815. ibid p. 1135. Also J. Phipps. History of Ship-building in Calcutta etc. op.cit. pp. 126-127.

Yr.	No. of ships built	Tonnage
1813	21	10,376
1814	10	5,489
1815	14	6,199
1816	18	8,198
1817	13	4,303
1818	12	6,865

ships and the operation of the Navigation Laws were sure to beat the India-built vessels in the end as they had beaten the American vessels. The India trade was now more profitably done through England where prices were lower than in India and ultimately all trade with India would be centred in England.

He was not far from right. By 1816, inspite of the full competition of foreign Europe and America, England had engrossed 19. 5/16% of the total private import trade and 25.1/6 % of the total private export trade of Bengal.(1) Lee failed to notice another remarkable trend which almost amounted to a revolution. He deprecatingly mentioned the glut of British manufacture in Calcutta and thought it would never pay.(2) He overlooked the effect of continued sale at discount. The free traders, by their

(1) Percentage of import and export trade between Calcutta and different ports of the World in 1816

Place	Import	Export
London	19.5/16%	25.1/6%
Lisbon	14.1/16%	8.7/16%
America	12.3/16%	10.14/16%
China	19.2/16%	19.6/16%
Brazil	4.4/16%	3.1/16%
Gulfs	10.3/16%	8.1/16%
Manilla	3.7/16%	2.4/16%
Penang	2.6/16%	2.11/16%

(2) Henry Lee to F. Lee. 13 May 1815 op.cit. p. 1139.

early sacrifice, had brought into being a limitless market for the British goods. Demand for them had begun to rise noticeably from 1817.

The financial troubles of the Bengal Government were not over with the end of commercial distress, improvement of the securities and victory in the Nepal War. The surplus revenue had fallen lower in 1815 due to rise of military charges which the Government hoped to put right at the end of the war, specially with its excessive income from opium. But the supplies to Bombay, China and the occupied islands taxed all its resources (1) and forced it to float a 6% remittable loan against the Court's orders. (2) If advances to H.M.G. were to be maintained - all the money sent by the Court in 1815 had been set apart for this purpose (3) - and the European investment was to be restored to its pre-war level, some sort of assistance must be rendered from London. The harassed Government pleaded that ...."....however valuable a possession India would still remain to England, even in a pecuniary point of

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(1) Military Charges in Bengal

1813 - S.R. 2,60,64,043
1815 - S.R. 3,47,40,267

Bills drawn on Bengal

1815 - S.R. 1,33,42,861
1816 - S.R. 72,00,632

Yr.	Bombay	Bencoolen	Penang	Java	China	Mauritius
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1815	58,58,244	5,45,182	1,49,581	5,79,630	45,33,999	7,39,020
1816	20,66,320	5,29,744	6,28,448	7,93,649	22,99,396	5,03,502

(2) G.G. in C. to Court (Terr.Fin.) 9 August 1816.
(3) G.G. in C. to Court (Terr.Fin.) 28 June 1816.

view, as the source of lucrative commerce, and as paying, a vast tribute in the returns of private fortunes, yet she demanded in return, some aid from the Mother Country, to enable her revenues to bear the expenses necessary to preserve her." (1) If the excess of supplies to London be set against the excess of home charges, if any, over the investment, England would still come out as a debtor country. (2) Moreover, home charges had been increasing alarmingly and the aid became specially urgent when sale of imports would no longer afford a reliable resource. It would become imperative if military action had to be taken against the Pindaris who had begun creating trouble again.

In the Court's view, however, the Bengal Government could not legally mix up the investment - home charge and the bill of exchange accounts, that on both heads India was a debtor. (3) Surplus revenue in these years had just been sufficient to meet the home charges with little left for the reduction of debt. Not only the military but the civil charges had gone up alarmingly. Opium revenue was threatened by exports of Malwa opium through the western ports (4) and salt revenue had suffered from the Government's confused

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(1) G.G. in C. to Court (Terr.Fin.) 16 December 1816.
(2) G.G. in C. to Court (Terr.Fin.) 26 April 1816 and 21 January 1817.
(3) Court to G.G. in C. (Terr.Fin.) 2 April 1817.
In two years 1814-15 and 1815-6 India had become indebted on the Investment-Home Charge account by £879,304 and on the Bill of Exchange account by £325,402.
(4) Secret Commercial to G.G. in C. 10 May 1816.

policy at a time when Liverpool salt was being imported.[1] The Court flatly refused to allow an annual transfer of £500,000 of India debt "to be applied in aid of your finances in India, and not in furnishing supplies to enable us to discharge them". Nor was it feasible "because in the present circumstances of the public finances of the British Empire, any application to the Parliament for assistance, to enable our Indian governments to defray the charges consequent upon the territorial administration of India, is quite out of the question...." The home government was sending £1 million partly for defraying charges on its account and partly as a contribution to the expenses of the Nepal War. Beyond that no more help could be sent. If debts had to be raised to pay for the territorial charges in India or England they must be raised and payable in India.[2] This unhelpful attitude was to a certain extent due to Buckinghamshire's bad relations with the Court but mainly to the latter's wholesome fear of public criticism and what may be termed as its "Wellesley-complex." Unfortunately it was adopted at a time when military action had started against the Pindaris which would ultimately merge into the Third Maratha War.[3]

(1) Court to G.G. in C. 9 November 1814. The Bengal Government increased remuneration of the malunghees for surplus produce but stopped it when that policy affected the import of coast salt. The change of policy was dictated by its solicitude for the country ships.
(2) Court to G.G. in C. (Terr. Fin.) 23 September 1817.
(3) The public securities again showed a discount of Rs 2. 2 as% in June 1817. G.G. in C. to Court (Terr. Fin.) 30 June 1817.

Bengal Finance and The Maratha War: Large bands of free booters under the name of Pindaris, had established themselves in the dominions of Sindiah who, unable to control, thought of using them to satisfy his predatory instincts as well as to further his political game. The minor potentatesin Central India and Rajpootana kept them, as Sleeman said, "as poachers in England keep dogs." They repeatedly pillaged Central India and the Nizam's territory and in 1812 even dared attack the Company's possessions. Minto warned the home government without avail for Buckinghamshire scorned the Pindaris as an insignificant distraction. On the occurrence of further attacks in 1814 Moira decided it was time for a drastic revision of the Company's political system with a view to root out this festering sore. "The British government," in his opinion, "should become the acknowledged head of a confederacy, the whole strength of which we should have a right by compact to weild against any invader of the public repose."(1) Before Buckinghamshire's obdurate order, prohibiting change in the political system, could reach India Moira sent another appeal to England for freedom of initiative. The non-interventionist Maratha policy of the home authorities, in view of the Maratha weakness which bred anarchy and the Maratha hostility which pre~~s~~saged a sudden threat to the Company's possessions, seemed to

(1) Quoted in C.H. Philips The East India Company 1784-1834 op.cit. p. 213.

him highly unrealistic and even escapist. The system of alliances he proposed would either neutralise them or, isolating, annihilate them. George Canning, now the President of the India Board, at first concurred with the Secret Committee's preference for "a more moderate and compact territory and leaving the other states to themselves".(1) Even when, on the arrival of the news of Pindari inroads into the Northern Circars, he gave Moira "and assurance of approbation of any measures which may have been authorised or undertaken not only for repelling invasion but for pursuing or chastising the invaders",(2) he did not fail to advise Moira to abjure a comprehensive scheme of conquest. It seemed as if the home authorities saw in Moira the ghost of Wellesley's Maratha policy and the same misunderstanding was going to be repeated.

Moira's plans for "the destroying of the Pindari association in its nest" started with a subsidiary alliance with Appa Sahib, an aspirant to the Bhonsleship, on 27 May 1816.(3) It was followed by expulsion of Bajirao II from the headship of the Maratha confederacy (Treaty of Poona, 13 June 1817)(4) and a forced treaty with Sindiah which obliged him to assist the Company against the

(1) ibid p. 215.
(2) ibid p. 216.
(3) Appa Sahib was regent for Parsaji, the imbecile successor of Raghuji Bhonsle.
(4) The Peshwa also ceded the Konkan and certain other lands and strongholds as well as the tribute of Kathiawad to the British.

Pindaris and released the latter from the obligation of abstaining from political activity west of the Chambal (5 November 1817).(1) A further series of treaties with the Rajpoot states blocked the Pindari movements westwards. These operations, however, brought to a head all the latent fear and hostility of the Maratha chiefs. The localised clashes with the Pindaris merged into a general war with the Marathas.

As no bullion came from England the Bengal Government felt the financial strain from the middle of 1817. Securities, at par in March, were at a discount of Rs 2-2 as % by the end of June which rose to Rs 4 4 as % at the end of the year. The surplus revenue of Bengal fell to S.R. 1,08,85,282 in 1817-18 as military charges rose to S.R. 3,87,35,875. The Indian surplus went down still further as Madras and Bombay incurred heavy deficits. The Bengal Government took recourse to loans to procure the supplies of the Deccan army,(2) and issued treasury notes at 8% later. When the Court appeared "absolutely to preclude any discussion in regard to the sufficiency of our ordinary means to meet the demands of the commercial department, so long as a rupee shall be due by the territorial branch of the Hon'ble Company's Concerns"(3) and wanted the bullion, it sent in 1817,(4) to be

(1) This obligation followed from the Treaty of SarjiArjungaon.
(2) G.G. in C. to Court (Terr. Fin.) 10 October 1817
(3) G.G. in C. to Court (Terr. Finl) 11 August 1819, referring to the Court's despatch 23 September 1817.
(4) Secret Commercial despatch of 13 March 1817.

solely applied to the procurement of raw silk, the Government floated another loan to meet an avalanche of bills from the western provinces, Hyderabad, Nagpur and Poona which amounted to more than 2 crores and 30 lakhs. This loan was opened at a discount of 3% and was to bear 10% interest till 30 June 1819 when it would be brought into the register of 6% debts.(1) Bengal was following the Court's orders to raise resources in India with a vengeance. By stubbornly standing on the letter of the Charter Act, in order to protect its commercial profits, the Court had passed on the whole burden of the Maratha War to Bengal. It was extremely lucky that it came so quickly to a victorious conclusion. As the Maratha chiefs offered battle one by one, they were very easily defeated - first the Peshwa at Khirki, (5 November 1817) then the Bhonsle at Sitabaldi (27 November 1817) and Holkar at Mahidpur (21 December 1817). When the desperate last stands of the Peshwa at Ashti (20th February 1818) and of the Bhonsle at Nagpur (16 December 1818) were broken, the Marathas had ceased to exist as a political force. The Peshwa's dominions (except Satara where the titular raja was set up) were annexed as also the districts lying to the north and the south of the Narmada and the British, with a network of alliances with all the princely

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(1) G.G. in C. to Court (Terr. Fin.) 4 April 1818.

states, had become the paramount power in India. "Henceforth," wrote Prinsep in his Political Review, "this epoch will be referred to as that whence each of the existing states will date the commencement of its peaceable settlement and the consolidation of its relations with the controlling power. The dark age of trouble and violence, which so long spread its malign influence over the fertile regions of Central India, has thus ceased from this time; and a new era has commenced, we trust, with brighter prospects, - an era of peace, prosperity and wealth at least, if not of political liberty and high moral improvement."(1)

The Marquis of Hastings later boasted that he had won the Maratha war and "had bought absolute supremacy of the Company in India at the cost of a debt of 98 lakhs .....My sole pretension is, that in wielding your strength I have not checked the pace of your increasing wealth."(2) He also promised a net increase of £1 million from the newly conquered territories in three or four years.(3) The Court, however, did not view the achievement in the same light. The Bengal debt had increased by S.R. 33,75,847 in 1817-18, S.R. 1,48,89,122 in 1818-19 and S.R. 2,20,78,237 in 1819-20 as a direct or indirect result of the Maratha War. The Indian

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(1) Quoted in Cambridge History of India vol. 5 p. 382.
(2) Marquess of Hastings to Chairman 20 February 1819. The private letters of the Marquess of Hastings etc. op.cit.
(3) Marquess of Hastings to Chairman 26 September 1819 ibid.

surplus had turned into a deficit in 1818-19 (1) and the total debt the territory bore to commerce was rising faster than it had done between 1814-16. London was now sending for the first time an excess of supplies of other than commercial nature. So long as this debt remained unpaid, the surplus revenue could not be applied to the reduction of India debt.

Two things were imperative if the vicious circle was to be broken. Bengal should send full investment so as to wipe out its balance with commerce and should see to the production of an Indian surplus big enough to defray all territorial charges at home and abroad as well as to reduce a portion of India debt. The Court again prohibited all remittable loans (2) and by way of assistance sent £1 million of its surplus commercial profits - strictly to be applied to the reduction of India debt by way of a sinking fund. (3)

The rest of the history of the Marquis of Hastings's Governor Generalship is concerned with his measures to follow these three directives - increase of investments, reduction of debts and improvement of revenue. We will deal with them in succession and show how each measure brought the Company into conflict with either the British private traders in India or the British creditors of

(1) INDIA

Yr.	Surplus revenue	Surplus Charge
1817-18	£503,741	....
1818-19	....	£97,015
1819-20	....	£155,568

(2) Court to G.G. in C. (Terr. Fin.) 1 September 1819

(3) Court to G.G. in C. (Terr. Fin.) 30 September 1818, 20 April 1819 and 5 July 1820.

the Company or the mercantile interest in England.

Increase of the Company's remittance trade: In the Court's indent for 1817-18 muslins obtained only S.R. 2,06,093 out of 24 lakhs allotted to piece goods. Next year the piece goods indent was further reduced to 16 lakhs and there was no longer the familiar muslin among the assortments desired for the European market. The Dacca factory was to be closed down. It was not the freight nor the protective duty which prompted the Court to abandon them in 1818 but the astounding reduction in the price of British cottons of equal description.(1) Fine piece goods of Bengal, with the history and fortunes of which the history and fortunes of the Company were so indissolubly linked, had to admit defeat in so unequal a competition. The price of defeat was decay. India lost a great art and the artisans lost their employment. More, with the rapid decrease of trade in coarse calicoes, which limped on for a

(1) Court to G.G. in C. (Comm[l]) 3 September 1817.

Description of the Article.	Made in England	Made in Bengal	
Doreas 20 yds.piece	55 shillings	Dacca	- 135 shillings
		Keerpoy	- 45 "
		Hurripaul	- 89 "
Cossaes	60 "	Malda and Dacca	- 93 "
Mulmuls	22 to 35 "	Santipore	- 47 to 76 "
		Keerpoy	- 39 "
Nain socks	33 "	Keerpoy	- 61 "
Seerhaud-connaes (Chandrakonas?)	50 to 64 "	Dacca and Santipore	- 80 to 89 "

while,[1] India lost her only industry which had an international market. Remittance from India could now be made in her raw materials. Of cotton, sugar, silk and indigo - sugar, far out distanced by the West Indies produce, never had any steady demand. On cotton and silk, therefore, the Company fastened their hopes as on cotton and indigo the private traders.

As first cotton was on the ascendant. "We attach very particular importance," wrote the Court as early as 1815, "to the object of improving the quality and staple of Indian cotton, so as to render it fit for the general consumption of Great Britain..."[2] The Court proposed experiments with a better variety and ordered a supply of seeds from the Bourbon Island. In 1816 it sent a cotton gin for better cleaning. But the military preoccupation of the Government prevented it from sending any cotton fit for the European market in 1817 and 1818. The Company made a good profit on Bengal cotton in 1817[3] and ordered a large consignment to England (about 7000 bales) for the next three years.[4] Cotton used to be received in Bombay in lieu of revenue.[5] Experiments were started there with new varieties under private European enterprise.

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(1) About 22 lakhs in 1817-18, 16 lakhs in 1818-19 and 14 lakhs in 1819-20. See Court to G.G. in C. (Comm^{l}) 12 June 1816, 3 September 1817.
(2) Court to G.G. in C. (Comm^{l}) 22 December 1815.
(3) Court to G.G. in C. (Comm^{l}) 17 June 1818.
(4) Court to G.G. in C. (Comm^{l}) 18 May 1818, 10 Muly 1818.
(5) G. in C. Bombay to Court 30 May 1812. Elphinstone stopped this in 1820.

Dr. Gilder was given rent free land in Ahmedabad for this purpose [1] as also one David Malcolm at Salsette. [2] Madras too was exhorted to increase the supply of the best Tinnevelly cotton. [3] Silk was, however, the principal medium of the Company's remittance. It returned 3s 6d per sicca rupee as late at 1817 and naturally the order went up from 45 lakhs to 66 lakhs in 1819. To ensure its supply the Court sent £100,000 in each of the years 1817 and 1818. [4] Here too it was disappointed. When the silk supplies, though much extended, fell short of its expectations and the price of Indian cotton began to decline in England, it was forced to go in for indigo from 1819. [5]

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(1) G.G in C. Bombay to Court 11 April 1818.
(2) James Ritchies' evidence before S.C.H.C. 1832 Q. 1376 et seq.
(3) Secret Commercial despatch to Fort St. George 29 April 1818.
(4) Secret Commercial despatch to Bengal 13 March 1817 and 21 April 1818.
(5) Secret Commercial despatch to Bengal 7 May 1821.

Exports by the Company from Calcutta to London

Year	Piece goods Pieces	Silk f.mds.	Cotton f.mds.	Indigo f.mds.	Sugar f.mds.
1816-17	3,50,103	5,010	13,428	x	1,987
1817-18	4,35,095	10,053	80	x	29,754
1818-19	3,89,902	7,347	0	x	32,039
1819-20	3,06,995	10,815	5,597	1607	28,862

J. Phipps - A Guide to the Commerce of Bengal, op.cit. p.205

It was private trade which felt most the impact of free trade and the Industrial Revolution during 1817 and 1818. Compared to 1813-14 the import trade had quadrupled - merchandise rising by 2.27 times and treasure by 8.2. The British traders who could bring their own and, now, much cheapened manufactures had the upper hand. They imported three times in goods and less than four times in treasure - well above the average. But the value of exports showed no improvement. It was stationary in 1817 and declined next year. In 1817 surplus exports still amounted to S.R. 73,34,219 (actually - S.R. 1,96,19,313) the Company having S.R. 23,66,672 to its credit and the private traders S.R. 49,67,547. In 1818, for the first time in the history of Indo-British commerce, imports exceeded exports by S.R. 2,06,17,309 (actually S.R. 52,35,975) - occasioned by default on private account alone, for the Company had a surplus export.(1)

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(1) CALCUTTA - WORLD (CUSTOMS HOUSE)
(PRIVATE TRADE)

	Imports			Exports		
Year	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1817-18	2,55,94,728	3,22,20,540	5,78,15,268	5,49,57,143	3,17,250	5,52,74,393
1818-19	2,84,55,615	4,75,14,948	7,59,70,563	5,04,88,362	2,88,538	5,07,76,900

CALCUTTA - U.K. (CUSTOMS HOUSE)
(PRIVATE TRADE)

1817-18	1,35,62,962	61,57,981	1,97,20,943	1,69,12,905	x	1,69,12,905
1818-19	1,59,44,495	1,21,61,159	2,81,05,654	1,38,72,325	x	1,38,72,325

Bengal Commercial Reports.
For correct valuation see Wilson. A Review of the External Commerce of Bengal op.cit.

Footnote (1) continued from previous page.

The Company's trade with World

Yr.	Imports: Merchandise S.R.	Imports: Treasure S.R.	Imports: Total S.R.	Exports: Merchandise S.R.	Exports: Treasure S.R.	Exports: Total S.R.
1817-18	42,84,838	9,51,130	52,35,968	1,01,43,515	x	1,01,43,515
1818-19	12,81,821	19,76,657	32,58,478	78,34,832	x	78,34,832

The Company's Trade with U.K.

Yr.	Imports: Merchandise S.R.	Imports: Treasure S.R.	Imports: Total S.R.	Exports: Merchandise S.R.	Exports: Treasure S.R.	Exports: Total S.R.
1817-18	17,24,634	9,51,130	26,75,764	93,28,438	x	93,28,438
1818-19	12,81,821	19,76,651	32,58,472	69,99,443	x	69,99,443

Bengal Commercial Reports.

Decline of exchange and its causes: The change in the terms of trade was revolutionary. Exchange value of the rupee, so long much higher than the official value of 2s 6d, began to fall with the decline of surplus exports. The pace was set by the eagerness of the merchants to get the returns of their imports to England. But cotton and indigo prices were too high to afford a remittance, silk was all but unprocurable and there was no demand for Bengal piece goods.(1) Hence the demand for mercantile bills increased which lowered the exchange further against India. Money was plentiful and seeking remittance or investment desperately and even a lower rate of interest was considered preferable to forced idleness. It was exactly the reverse of what happened in 1814 and 1815 when money was scarce and the extensive surplus exports kept the exchange high. These difficulties were further enhanced when cotton prices began to sag in London in 1819 and collapsed in the China market.

There were several causes of this sudden plenty in 1818-19 which is apparently inexplicable in the context of the scarcity of

(1) Export of Bengal Goods in Private Trade to World

Yr.	Piece goods S.R.	Indigo S.R.	Sugar S.R.	Silk S.R.	Cotton S.R.
1817-18	1,32,34,725	80,31,855	38,81,397	19,57,262	1,10,13,074
1818-19	1,32,82,789	69,66,405	44,02,608	57,46,361	89,76,861
			To U.K.		
1817-18	4,37,107	63,79,779	12,49,012	9,42,062	53,69,791
1818-19	20,30,069	52,66,111	14,90,874	47,91,860	37,87,030

(The Company's exports included from 1818-19)
Bengal Commercial Reports 1817, 1818.

of the previous year. The Marquis of Hastings refers to unloosening of the native capital hoarded up during the Maratha war in the hope of a higher interest.(1) The more fundamental cause, however, was abundance of private remittable capital which could not find a way to England due to the stagnation of the Europe trade or secure investment in India due to a recession in the country trade and depression in the ship-building industry(2) - increased further by excessive import of bullion called in by the scarcity of 1817.

The private remittable capital of Bengal had been calculated by Bosanquet as half a million; the Court put it higher at two millions,(3) andH. St. George Tucker, the financial adviser of Wellesley and Barlow, put it at three millions.(4) In the period under discussion remittable income arose from savings of the Civil and Military servants of the Company, European mercantile profits, profits from European industries and professions, and interest on the public debt held by the resident as well as the absentee creditors. There arose at least an annual private remittable income of 1 crore and 56 lakhs

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(1) The Marquess of Hastings to Chairman 8 February 1819. Private Letters of the Marquess of Hastings op. cit.

(2) Bengal Commercial Reports 1818-19. The difference between the Indian and the British shipping was 30% in the latter's favour; the rate of freight had been reduced by 2/3 or $\frac{3}{4}$ of what prevailed in the last 20 years and the British ships carried on port to port trade against the letter of the law.

(3) Court to G..G. in C. (Fin) 20 June 1810.

(4) "Remarks on the Plans of Finance lately promulgated by the Hon'ble Court of Directors and by the Supreme Government of India." H. St. George Tucker, October 1821. p.3.

on these heads.[1] When we add to this sum the average amount remittable by the Company to England in repayment of the home charges - there was about two crores and a half to be remitted in each year from Bengal in the medium of her raw material resources. So long as the excess of exports over imports remained equal to this figure - the exchange would be at par but if it rose above, there would occur a favourable exchange for India and if it went below, an unfavourable exchange would set in. Up to 1816 actual excess of exports per annum was sufficient to convey the remittable private capital. In that year, due to resumption of trade with foreign Europe and America, import of bullion started in an ever-increasing crescendo and merchandise from Britain began to flood Bengal. This upset the applecart by further increasing the extent of remittable capital. The private traders had two

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(1) <u>Private Remittable Capital of Bengal</u>

(a)	Savings of the Civil Service Total income - 82 lakhs and pension fund	-	$21\frac{1}{2}$ lakhs
(b)	Savings of the military service Total income - 150 lakhs	-	19 "
(c)	European mercantile profits Gross profits - 67 lakhs	-	$33\frac{1}{2}$ "
(d)	Profits from industries, houses and professions (Profits from indigo manufacture calculated at 5% on a capital of 80 lakhs)	-	$21\frac{1}{2}$ " or 22 lakhs
(e)	Interest payable to resident creditors on 4 crores at 6%	-	24 "
(f)	Do payable to absentee creditors on 6 crores at 6%	-	36 "
			$155\frac{1}{2}$ or 156 lakhs

alternatives - either to barter money for goods at high prices or accept bills at a lower exchange. When goods, so dearly bought, reached England they found a dull market.[1] When they tried remittance by bills, to avoid investment at 5%, their competition reduced the exchange.

The agency houses were affected by this inflationary tendency as they had been before by the deflationary withdrawal of capital and appealed to the Government to check it.[2] The Government very willingly obliged them by floating a 6% loan which absorbed the remittable funds at a higher interest than available in the market.[3] But this temporary palliative was of no avail. The remittable capital of 1819-20 was further swollen by a total bullion import of S.R. 4,10,84,760 and merchandise import of S.R. 1,75,21,977. Exchange fell from 2s 6d in 1819 to 2s 3d in 1820 as remittance through trade became more hazardous with the fall of cotton price in England.[4] The stagnation of the country trade[5] choked a great source of

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(1) John Palmer to Henry Trail 31 October 1819. Palmer Papers op.cit Vol. 88. P. 308.
(2) John Palmer to Henry Trail 20 June 1819 ~~Palmer Papers~~ ibid. P. 30.
(3) John Palmer to Henry Trail 31 October 1819 ~~ibid.~~ op.cit.
(4) Cotton prices fell very rapidly. Cotton sold from 10d to 13d per lb. in the second sale of 1818 and from 5d to 7d in the first sale of 1819.
(5) CALCUTTA - CHINA (CUSTOMS HOUSE)

Year	Imports S.R.	Exports S.R.
1818-19	1,28,36,846	92,03,799
1819-20	71,29,026	54,27,736

CALCUTTA-PENANG

Year	Imports(S.R.)	Exports(S.R.)
1818-19	17,03,126	17,50,328
1819-20	13,43,119	8,86,612

CALCUTTA-MANILLA

Imports (S.R.)	Exports (S.R.)
3,88,586	7,81,219
7,29,902	2,80,298

CALCUTTA-COROMANDEL

Year	Imports(S.R.)	Exports(S.R.)
1818-19	18,20,263	9,93,482
1819-20	9,28,529	11,28,232

CALCUTTA-MALABAR

Imports (S.R.)	Exports (S.R.)
9,97,616	24,79,992
15,43,603	41,48,874

Bengal Commercial Reports.
Actual value - H.H.Wilson op.cit.

investment. Cash became more plentiful in 1820 and a large scale purchase of public securities pushed their premium to S.R. 3-4 as %. The attention of the remitters was then drawn to the Company's interest bills which, at 2s 6d, gave the best possible remittance under the circumstances. At once there was a great rush for those bills. It seemed as if the Court would once more be deluged in bills.(1)

The conflict between private trade and the Company's remittance trade:

From 1819 onwards the Company's trade was returning to its old standard. The Company's imports in merchandise from Great Britain rose from S.R. 12,81,821 in 1818 to S.R. 19,52,700 in 1819 and to S.R. 25,95,608 in 1821 till it fell to S.R. 13,00,529 in 1822. Its imports in bullion rose from S.R. 19,76,651 in 1818 to S.R. 91,47,961 in 1819, when the Court sent funds to be used for the sinking fund, but fell to S.R. 15,25,404 in 1820-21. Its exports to the same country increased in a greater ratio - merchandise alone from S.R. 69,99,443 in 1818 to S.R. 98,68,404 in 1819 and as much as S.R. 2,05,58,347 in 1821 before it declined to S.R. 1,15,18,555 next year.(2) Part of this

(1) Bills drawn on the Court on account of Bengal debt.

Year	For interest S.R.	For principal S.R.
1818-19	34,89,284	71,312
1819-20	58,61,539	1,35,940
1820-21	1,26,97,973	1,17,780
1821-22	1,15,96,176	40,65,626

From Financial Letters and Enclosures received from Bengal and India. I.O.

(2) (see next page)

Footnote (2) continued from previous page

Bengal Commercial Reports 1818-19 to 1822-23

Actual value of the Company's imports from and exports to World and U.K.

Total imports and exports

Year	Imports S.R.	Exports S.R.
1818-19	32,58,478	78,34,832
1819-20	1,11,10,661	1,84,28,442
1820-21	41,88,998	1,35,34,972
1821-22	26,29,321	2,34,17,959
1822-23	13,68,381	1,81,12,755

Trade with U.K.

Year	Imports S.R.	Exports S.R.
1818-19	28,67,671	69,99,443
1819-20	1,11,10,661	1,00,76,031
1820-21	41,88,998	1,02,38,346
1821-22	26,29,321	2,08,74,757
1822-23	13,68,381	1,15,18,555

H.H. Wilson, op.cit. tables 13 and 14.

extended export was in payment of the territorial debt to commerce which the Court insisted on and part of it was sent to enable the Court to discharge the interest bills which were being drawn increasingly from 1820. The indent for cotton rose from 7000 bales in 1820 and 1821 to 9000 bales in 1822, though it sold for high prices in India and the Company had enough stocks in hand; that for silk went up from 66½ lakhs in 1820 to 73 lakhs; investment in sugar was doubled. Only the piece goods were down to S.R. 8,06,970. "Our warehouses in London are at this time, as you know, loaded with cotton piece goods, which are selling at a great loss."(1) Cotton, however, bought at Rs. 18 to Rs. 22 per factory maund, sold so low that the Court decided it could come only as dead weight. The cotton speculation to China came to grief in 1821 due to the abundance of the local harvest.(2) Silk could not be procured to the extent of the indent (7000 bales). The Court, therefore, fell on indigo which had yielded in 1819 from £14 to £19 % and an exchange of 2s 9.5d. Its provision was limited before to £300,000. Now it was increased to £750,000.(3)

The private traders took fright at this new burst of energy. The greater the share of the Company in the export trade the less they felt would be their share. The Company's remittance was in direct conflict with private remittance, already reduced due to

(1) Evidence of the Chairman before S.C.H.L. 1820
(2) Secret Commercial despatch to China 24 April 1822. Bengal cotton sold for 5d to 6d a lb. in November 1822. See The Asiatic Journal Vol. XIV. p. 627.
(3) Secret Commercial despatch to Bengal 7 May 1821, 22 June 1821 and 16 August 1821.

stagnation of trade. Out of the actual excess of exports - S.R. 2,18,48,745 in 1820 and S.R. 3,11,92,727 in 1821 the Company supplied about one crore and two crores respectively.

Trade depression in England: To this tangled trade, depression in England added another strand in 1819. Professor Clapham once described the years between 1815 and 1820 as "economically probably the most wretched, difficult and dangerous in modern English history." These were years of transition from war to peace, from the first to the second and more productive phase of the Industrial Revolution. By 1816 the speculation in Indian commodities for the Continental and the American markets had come to grief, their prices had fallen. Meanwhile the British cotton and iron manufactures had been improved. But there was no outlet.(1) Cessation of war contracts and loan-financed government expenditure had hit cotton, iron and shipping industries very hard. This depression led to an artifically contrived drive for exports. There was some recovery in 1818. But as the causes still persisted there was a bad set back in 1819.(2) There was another outcry against the Company's monopoly and another drive for the Indian market. Out of the total increase in merchandise

(1) Total export of British cotton manufactures and yarn.

Year	declared value in £(millions)
1814	20
1815	20.6
1816	15.6

For iron industry see Ashton op.cit. pp. 153-54.

(2) Total export of British exports to East Indies and China

Year	Official value £(millions)
1816	2.2
1818	3.2
1819	2.4

Foot note (2) continued from previous page.

Export of British cottons

Year	declared value £(millions)
1818	18.8
1819	14.7
1820	16.5
1821	16.1

Depression in ship-building in Britain

Year	tons (in thousands)
1816	84.7
1819	89.1
1820	66.7
1821	58.1

A.D. Gayer. W.W. Rostow, and A.J. Schwartz. The Growth and Fluctuation of the British Economy 1790-1850. p. 149.

For depression in iron industry see Evidence of William Matthews in the Report of the Committee on Manufactures 1833.

import of 1820 - 50 lakhs - Britain alone contributed 27 lakhs. The conditions were now propitious. The prices of woollens and metals had largely fallen in the Bengal market (1) and the cost of production of cottons reduced beyond recognition. (2) Import of cotton piece goods from Britain exceeded 46 lakhs in 1821 and 65 lakhs in 1822. (3)

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(1) Price of British Manufactures at Calcutta. (from Price Currents in the Bengal Commercial Reports).

Article	1813-14 S.R.	1820-21 S.R.
Aurora per piece	108-115	90-103
Scarlet Superfine per yard	8-9	7-8/4
Iron per maund	9-10	5/10 - 6/8
Lead " "	12-12/8	6/8 - 7/-
Copper Sheet per maund	53-56	41/8 - 45
Steel " "	30-34	6/12 - 8

They were being sold ataprofit now. See Phipps - A Guide to the Commerce of Bengal op.cit. p. 263.

(2)

Quality	price of yarn. 1818	1821
30 hanks per lb.	2s 9d	1s $6\frac{1}{2}$d
40 hanks " "	2s 6d	1s $5\frac{1}{4}$d

E. Baines op.cit. p. 355.

(3) Bengal Commercial Reports 1821, 1822.

But exports still lagged behind. Nor did trade with foreign Europe, America and Asia prosper as trade with Britain did.(1) The primary cause was the decline of piece goods and high prices of Indian articles.(2) Freight and charges had become so low with keen competition among the free traders that there was little inducement to engage in circuitous trade. Moreover the preferential treatment of Britain and the British vessels encouraged Indo-British trade at the cost of others. They had little chance to employ British capital, their experiments with bills raised the exchange, they had to bring bullion where the British need not, and now, in 1820, along with the British traders, they felt the channel of remittance gradually shrinking. They had lost the piece goods market

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(1) CALCUTTA - WORLD (CUSTOMS HOUSE)

(The Company and the Private Trade)

	Imports			Exports		
Year	Merchandise	Treasure	Total	Merchandise	Treasure	Total
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1820-21	2,24,45,163	2,40,71,335	4,65,16,498	5,68,03,248	12,29,363	5,80,32,611
1821-22	2,59,03,599	2,21,49,437	4,80,53,036	5,35,53,123	1,23,96,395	6,59,49,518
1822-23	2,68,66,535	1,72,89,382	4,41,55,917	6,18,51,480	51,51,966	6,70,03,446

Bengal Commercial Reports.

(2) Article	Price in 1813-14 S.R.	Price in 1820-21 S.R.	Price in 1822-23 S.R.
Cotton	12/8 - 14	18 - 22	13/8 - 16
Benares Sugar 1st sort per md.	8/8 - 9/8	9/1 - 11/8	8 - 9/12
Silk cossimbazar per seer	8/8 - 12	12 - 13	14 - 15/8
Indigo per f. md.		120 - 160	190 - 320
Rice Buckergange per md.	-/14/- - 1/5	1/11 - 1/14	1/5 - 1/9

From Price currents in the Bengal Commercial Reports.

in both Americas and South East Asia to the British cotton manufacture, the London cotton market to American cotton and the China cotton market to the native product.

Trade with Lisbon was considerable up to 1816-17 but it declined from the next year with partial attempts at recovery in 1818, 1820 and 1822. It depended on bullion and as it became less profitable to send bullion, the trade shrank. The constant struggle between Portugal and her American possessions disturbed the trade with Brazil. Trade with United States went on well up to 1818-19 and fell off for causes similar to those that operated in the case of Britain. Denmark and Holland had an insignificant share in the Bengal trade and that with France did not fare well after 1818. Trade with Gibraltar and Malta flourished for a while after the Malta Trade Act and trade with South America was more or less stable up to the last but one year in the series. Imports from China fell greatly after 1819 as Bengal opium came into competition with Malwa and Turkish opium and as the cotton speculations of 1819 and 1820 came to grief. Trade with Penang and Sumatra showed a similar stress though the former began to recover in 1820. Though Java had been in the Dutch hands since 1816, the country trade with her prospered with one or two breaks. But feeling oppressed by illiberal regulations of the Dutch, the British private merchants sought a vantage point in the China seas which would protect their trade route to the Eastern islands as well as serve as a free emporium for the vend of the British and the Chinese articles. Manilla's trade declined as direct connection with Spanish America (now independent) was established. The exigencies of the Maratha war increased private trade between Calcutta and Malabar from 1817 to 1819 but the end of war heralded a fall. There was some attempt to compensate for its decline through an increased trade with the Gulfs till their direct trade with Britain affected it in 1822. Though imports from Coromandel were more or less constant, exports suffered. The speculative trade with Mauritius spent itself by 1817.(1)

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(1)

CALCUTTA - LISBON

	Imports		Exports	
Year	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1817-18	1,93,402	16,69,305	15,88,637	x
1818-19	1,18,224	27,85,721	20,78,172	x
1819-20	48,601	17,18,618	9,99,504	x
1820-21	2,60,984	24,89,516	22,18,168	x
1821-22	63,455	13,43,229	4,58,356	x
1822-23	2,56,941	21,41,624	25,44,959	x

CALCUTTA - U.S.

	Imports		Exports	
Year	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1817-18	11,49,890	57,99,449	48,91,053	
1818-19	5,03,430	90,59,375	70,26,531	
1819-20	1,32,278	45,96,510	45,86,438	
1820-21	1,59,655	27,28,519	19,25,079	
1821-22	2,90,477	50,51,178	38,53,916	49,500
1822-23	2,43,013	50,07,652	30,63,019	

Footnote (1) continued from previous page

CALCUTTA - FRANCE

Year	Imports Merchandise S.R.	Imports Treasure S.R.	Exports Merchandise S.R.
1817-18	4,34,734	9,81,010	17,17,415
1818-19	5,27,182	17,90,841	20,53,159
1819-20	3,34,245	10,31,292	11,61,961
1820-21	2,33,183	10,42,070	15,11,637
1821-22	7,42,561	23,52,763	12,21,417
1822-23	7,20,248	12,28,744	21,78,423

	CALCUTTA-BRAZIL		CALCUTTA-SOUTH AMERICA	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1817-18	23,44,543	16,91,853	4,40,823	3,87,518
1818-19	24.10,896	9,87,037	14,46,266	6,60,107
1819-20	11,85,966	10,60,412	22,66,981	7,25,842
1820-21	13,93,157	6,47,928	16,38,898	19,55,002
1821-22	4,92,125	1,45,352	27,77,415	14,64,261
1822-23	4,07,940	2,01,226	10,82,548	2,88,315

CALCUTTA - CHINA

Year	Imports Merchandise S.R.	Imports Treasure S.R.	Exports Merchandise S.R.	Exports Treasure S.R.
1817-18	36,55,981	77,03,777	1,01,95,671	2,52,000
1818-19	36,28,994	92,07,852	92,03,799	2,36,250
1819-20	20,53,882	50,75,144	46,22,514	1,11,500
1820-21	30,47,431	45,38,564	1,02,48,426	2,96,150
1821-22	22,88,959	39,33,281	1,02,05,138	x
1822-23	12,30,310	26,19,046	1,30,74,663	x

Footnote (1) continued.

CALCUTTA-PENANG / CALCUTTA - SUMATRA

Year	Imports S.R. (Calcutta-Penang)	Exports S.R. (Calcutta-Penang)	Imports S.R. (Calcutta-Sumatra)	Exports S.R. (Calcutta-Sumatra)
1817-18	9,05,610	18,96,622	6,20,588	9,61,294
1818-19	17,03,126	17,50,328	5,47,683	4,31,774
1819-20	13,43,119	11,09,200	8,85,484	5,85,465
1820-21	14,91,677	26,39,218	5,55,678	2,66,140
1821-22	14,83,752	28,31,099	3,09,036	8,77,291
1822-23	13,63,473	28,25,408	3,46,751	4,45,968

CALCUTTA-MALABAR / CALCUTTA-COROMANDEL

Year	Imports S.R. (Calcutta-Malabar)	Exports S.R. (Calcutta-Malabar)	Imports S.R. (Calcutta-Coromandel)	Exports S.R. (Calcutta-Coromandel)
1817-18	8,94,373	45,01,687	7,96,883	15,65,812
1818-19	9,97,616	31,46,361	18,20,263	9,93,482
1819-20	15,43,603	41,48,874	9,28,529	46,76,816
1820-21	13,45,249	25,25,695	8,91,356	12,53,930
1821-22	22,46,106	18,82,161	8,87,221	12,35,015
1822-23	6,51,285	41,08,341	7,60,650	40,30,972

CALCUTTA - GULFS / CALCUTTA- JAVA

Year	Imports S.R. (Calcutta-Gulfs)	Exports S.R. (Calcutta-Gulfs)	Imports S.R. (Calcutta-Java)	Exports S.R. (Calcutta-Java)
1817-18	41,50,047	47,92,689	12,35,851	7,68,914
1818-19	55,98,358	46,58,887	18,82,380	2,20,148
1819-20	52,03,952	50,50,985	22,18,509	25,18,604
1820-21	54,09,962	36,71,131	9,20,293	32,98,982
1821-22	36,25,178	47,40,902	15,97,064	21,26,562
1822-23	38,54,718	34,64,404	18,85,463	27,24,487

CALCUTTA-MANILLA / CALCUTTA-MAURITIUS

Year	Imports S.R. (Calcutta-Manilla)	Exports S.R. (Calcutta-Manilla)	Imports S.R. (Calcutta-Mauritius)	Exports S.R. (Calcutta-Mauritius)
1817-18	18,30,834	14,37,806	14,07,772	4,70,006
1818-19	3,88,586	7,81,219	8,37,065	5,47,041
1819-20	7,29,902	2,80,298	6,72,296	9,63,436
1820-21	13,05,801	3,44,461	11,91,111	10,85,907
1821-22	2,35,030	8,90,105	7,51,348	16,31,865
1822-23	4,13,962	2,62,910	7,73,011	10,73,843

Footnote (1) continued.

CALCUTTA - GIBRALTAR - MALTA

Year	Imports S.R.	Exports S.R.
1817-18	1,26,629	18,90,628
1818-19	13,64,429	12,91,679
1819-20	17,55,757	4,14,702
1820-21	6,87,272	1,53,804
1821-22	x	7,84,682
1822-23	x	7,24,295

Bengal Commercial Reports 1817-1822.

By 1822 a reaction would have set in had not the Company competed with the private traders for remittance. Fall of bullion import had lessened the amount of remittable capital and the Company's bills on account of India debt furnished an extra channel of remittance in 1820 and 1821 which provided for about 100 lakhs more per annum than the average remitted in that medium before 1820.(1) The financial operations of the Government in 1822 resulted in further exodus of capital. But paradoxically enough the Company had to send increased investment to enable the Court to discharge the bills. There was a huge excess of export in 1822 - mainly due to the rise of indigo prices to S.R. 260 per factory maund - amounting to S.R. 2,28,47,529 (actually no less than S.R. 4,41,05,186). But though the share of the private remitters was increased, it did not exhaust the remittable capital. Cash was abundant, interest was low, exchange at 2s., and the dissatisfaction of the private traders with the Company's remittance trade grew more acute and articulate. They viewed it as taking unfair advantage of its command over the surplus revenue of Bengal

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(1) On the average about 32 lakhs were remitted in interest bills before 1820.

Bills drawn on account of India debt after 1820.

Year	For interest S.R.	For Principal S.R.
1820	1,26,97,973	1,17,780
1821	1,15,96,176	46,65,626
1822	57,62,188	2,20,47,843

Collected from Financial Letters and Enclosures Received op.cit.

and the capital market, as cornering silk and allowing its Residents to raise its price still further, and as forcing up the price of indigo with reckless bids.(1) Against this juggernaut the private British merchant and remitter stood helpless with plenty of idle money. When the Governor General, in response to their appeal, proposed abolition of the Commercial Residents' trading privileges(2) and the Court turned it down,(3) the private traders read in it the Court's bid to introduce monopoly by the back door. They were forced to invest money in the public securities the premium on which rose to 18% in May 1822.

Funding of debt: If the Company's commercial policy alienated the mercantile community, its debt policy alienated the creditors and caused an exodus of capital to England which again necessitated an enlarged public investment. It was a vicious circle. The necessity of relieving the Court from the burden of bills set both the home and the Indian authorities thinking about a mode in which the abundance of capital in Calcutta could be utilised for discharging the remittable debt or for funding it. In order that "the overwhelming torrent (of bills) may be arrested by July 1822," the Court not only asked for a full

(1) The Government bought indigo at S.R. 234 in 1821 and S.R. 321 in 1822 to accommodate the agency houses, particularly Palmer & Co., which produced 2s $1\frac{1}{4}$d in England. See Draft proposed by Secret Commercial Committee to Bengal 26 May 1824, Secret Commercial Drafts to India 1815-31. I.C.

(2) G.G. in C. to Court 4 January 1821.

(3) Court to G.G. in C. (Comm[l]) 3 December 1823.

investment and bullion worth £1 million but wanted the Government to buy up all optional papers (2s 6d loan of 30 June 1811 and the optional loans incurred between 1813 and 1820) at a premium of even 4% and if that proved impossible, to pay the registered debt of 1811-12. In case this excited alarm among the creditors, the Government was to open a 6% loan, absolutely irredeemable for ten years, principal and interest payable in India, to which interest bills and other outstanding loans would be subscribed at a bonus. To attract optional loans interest bills might be granted at 2s. the sicca rupee.(1) Accordingly a loan was floated on 1 May 1821 - allowing the absentee creditors interest bills at 2s 6d up to 31 December 1821 which the Court further extended to 30 June 1822 to add to its lure.(2) The loan was successful in converting the registered debt. But the problem of interest bills was not solved. About a crore of rupees was sent in bullion to England to help the Court in 1821 to discharge the interest bills. On 18 February 1822, against the orders of the Court, a remittable loan was opened in order to facilitate transfer of the optional loans between 1813 and 1820. It granted to the absentee creditors interest bills at 2s 1d the sicca rupee and an option of transfer of the principal at the end of the Charter at 2s 6d at 12 months date.

(1) Court to G.G. in C. (Terr. Fin.) 29 June 1821
(2) Court to G.G. in C. (Terr. Fin.) 7 November 1821.

This was definitely more attractive then the loan of 1821 and a large portion of the 6% optional loans was subscribed. But the rest was demanded in bills.[1] The absentee creditors considered it unremunerative to keep capital in India on such conditions. In 1822 alone bills demanded on account of the principal amounted to S.R. 2,20,47,843. Later a similar indulgence was granted to the European proprietors of the loan of May 1821.

Hastings tried to justify his debt policy on political grounds - as based on "identifying the interest of a leading body of natives with ours by making such a proportion of their fortunes depend on our stability."[2] He supported the first Oudh loan as supplying the native princes with "a motive the more for them to abstain from intrigues against us." But the revolution in the exchange rate since 1819 cut off the ground under his argument. The Europeans, discovering the interest bills as the best mode of remittance, had bought out the native holders. This not only occasioned a loss of 22% to the Company (the actual exchange rate having come down to 2s 3d or even lower) but made the home government prey to a sudden transfer of capital. Hastings was, however, more considerate to the creditors than the Court would have him. As in the case of the private traders' grievance

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(1) G.G. in C. (Terr. Fin.) 18 February 1822 and 20 June 1822.

(2) Hastings Operations etc. Add. MSS. 38,411 f. 208.

about raw silk he proposed the abolition of the trading privileges of the Commercial Residents, in the case of debt he proposed a higher remittance for interest than envisaged by the Court and granted an option for the transfer of the principal at an exchange rate higher than the intrinsic value of the rupee. He explained that he did so "for government feared to produce distress by diminishing too much the means of remittance."(1) In short Hastings was treading the path of Minto for very much the same causes like stagnation of trade, funding of debt etc. But the absentee proprietors had lost confidence meanwhile, the victory in the Maratha War seemed to bring empire-building in India to an end and the resumption of cash-payments in England made transfer of capital more profitable. This had inevitable repercussions on the money-market which Hastings had so deplored in 1814 and on the Court which he so clumsily tried to avoid.

Hastings's revenue policy was no less muddled. Since he was convinced that retrenchment would render defence vulnerable, he set about augmenting the revenue resources so that a surplus would emerge sufficient to cover all territorial charges. The Bengal surplus had fallen to S.R. 1,06,59,012 in 1819 while Madras and Bombay had run into a deficit of S.R. 1,23,10,253.(2) Hastings's

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(1) The Court criticised this policy, see Court to G.G. in C. (Terr. Fin.) 14 May 1823.

(2) G.G. in C. (Terr. Fin.) 13 January 1821.

first thought was improvement of land revenue through the extension of the Permanent Settlement to the newly conquered provinces.(1) This, however, roused opposition in a section of the Bengal Civil Servants(2) as it had done when Minto had been eager to extend the Permanent Settlement to the Ceded and Conquered Provinces. The Court was now as well as then opposed to the indiscriminate imposition of the Bengal system of justice and revenue assessment on all Indian provinces without considering their different history and customs and the Board, under Canning, concurred. Hastings was dissuaded by this determined stand but Regulation VII of 1822, which introduced the Mahalwari settlement, put the Jumma very high.(3) Worse even, Hastings had been persuaded by the zemindars, the Raja of Burdwan at their head, to approve a new system of tenure called the Patni tenure which was in a sense more harmful than the Permanent Settlement because it introduced sub-infendation.(4)

Malwa Opium: Hastings turned next to opium revenue which had been falling since 1817 and amounted to S.R. 68,95,041 in 1819-20 - the lowest since 1813 - though the prices were about the same. The reason for this decline is not far to seek. With average price of opium rising up to 1300 dollars in China, "the monopoly was now

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(1) See C.H.Philips. The East India Company 1784-1834 op.cit. p. 212.
(2) Holt Mackenzie's Minute of 1 July 1819. Papers from the Records at the East India House. Vol. III.
(3) Regulation II of 1819 aimed at resumption of rent-free lands.
(4) Regulation XI of 1822, by defining more clearly the rights passed on at revenue sale, helped the landlords.

returning such huge profits as literally to beckon for competition."(1) The provision of Bengal, Behar and Benares opium had not been enlarged since 1801, when 4800 chests had been decided upon, and even then the actual produce always fell short by several hundred chests annually. When the Indian output was being controlled for monopoly profits, the China market was expanding and the vacuum had been filled by Malwa and Turkish opium. This resulted in a fall in the price of Behar opium from 1300 dollars in 1817 to 840 dollars in 1818. The cheapness and high profit in Malwa opium attracted small speculators at first but when large dealers like Magniac & Co. and William Jardine became interested in this clandestine trade through the Portugese ports of Goa and Daman in India and Macao in China,(2) it was time for the Bengal Government to take a decision.

It had asked the Court to intercede on its behalf with the Portugese government(3) and made an attempt through the Poona Residency to close the Maratha ports.(4) But Portugal would not listen and the Court advised increase of production without affecting quality so that it could be sold cheaper than Malwa or Turkish opium.(5) It emphasised the improvement of quality, for by

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(1) David Edward Owen, British Opium Policy in China and India. New Haven: Yale University Press 1934 p. 86.
(2) Michael Greenberg. British Trade and The Opening of China 1800-42. Cambridge University Press 1951 pp. 124-25.
(3) G.G. in C. to Court (Political) 4 January 1817.
(4) Court to G.G. in C. (Separate) 24 October 1817.
(5) Court to G.G. in C. (Separate) 27 January 1819.

1818 the quality of the Company opium had been greatly debased and Malwa was equal to it.(1)

After the Third Maratha War the Central Indian and Rajpootana states came under the British sphere of influence. The Government first considered calling upon the native princes to prohibit export of Malwa opium through their territories as well as imposing high duties on its transit to the West Coast. This proved impossible due to the Portugese greed and the constant interference with the native princes it involved. Hence the Government tried to adopt the Court's solution of augmentation of supply not, however, by encouraging production in Bengal but by buying out Malwa opium.(2) Malwa was called upon to supplement Bengal production by 4000 chests annually and all surplus cultivation was to be suppressed.(3) As a second line of defence it made treaties with native states which lay on the direct route to Daman and Diu. Unfortunately the former plan ended in outright swindling of the Government and the latter left out some strategic states.(4) The special opium agent, Taylor (appointed in 1821), paid outrageous prices,(5) drew on Bengal for 100 lakhs in one year and promised

(1) H.B. Morse The International Relations of the Chinese Empire 1834-1911, [redacted] Vol. III pp. 339-40.
(2) G.G. in C. to Court (Terr. Salt.Op.) 30 July 1819.
(3) Terr. Dept. Consult. 12 November 1819.
(4) G. in C. Bombay to G.G. in C. 29 December 1821.
(5) Home Misc. 762.P.9. Swinton's evidence before S.C.H.C. 1830.

unwarranted indemnities to the native princes while speculation increased production which had been meant to be curtailed. The route of illegal transit was still profitable. Holt Mackenzie, the Utilitarian Secretary to the Territorial Department, noted with concern, "If some arrangement for shackling the trade in Malwa opium be not adopted, I confess I see little chance of our being able to prevent such a fall in price as will render the possession of the monopoly in Behar and Benares of little value."(1) Large exports to China started in 1820 - 3377 chests in that year as compared to 2435 chests in 1817.(2) Prices rose to S.R. 4000 per chest in the Bengal sale of 1821. But it was all speculative in character - in want of better employment for abundant capital. By 1823 the market could bear no more supply, the Government no more loss. Going to help revenue and the opium traders Hastings had chosen a wrong path which ultimately led to a total collapse in 1823.

(1) Notes by Holt Mackenzie 10 July 1823, Abstract on Malwa opium Third Report 1831. App. IV.

(2) Evidence of H. Magniac, before S.C.H.C. 1830, 18 June 1830. Second Report.

<u>Export of opium to China etc.</u>

Countries to which exported	1819 S.R.	1820 S.R.	1821 S.R.	1822 S.R.
China	34,98,188	85,85,311	67,87,154	1,09,61,651
Java	15,08,739	17,22,249	11,54,630	15,70,225
Penang	6,77,352	15,19,652	9,58,461	14,54,682

Bengal Commercial Reports.

Guided by his imperial instinct and his appreciation of the private traders' point of view, Hastings did one thing which not only helped their cause far better than his opium policy but became the foundation of the British supremacy in the Far East. He strongly supported Stamford Raffles's purchase of Singapore from the Sultan of Johore in 1819 against the pretensions of the Dutch and even the avowed policy of Canning to avoid trouble with them at all cost. In fact it was Hastings who diverted Raffles's attention from Sumatra to the Malay Peninsula, to the control of the Malacca Strait by forming establishments at Achin and Rhio or, if that was not possible, from some station in Johore. "It is expressly to be understood, and it will be incumbent on you always to keep in mind," ran the formal instruction of Hastings to Stamford Raffles, "that the object in fixing upon a Port of this nature is not the extension of any territorial influence but strictly limited to the occupation of an advantageous position for the protection of our commerce."(1) Singapore was to be not only the free emporium for British and Chinese articles in the East Indies, so necessary after the Dutch reoccupation of Java, but the Malta of the East and the springboard to further commercial exploration towards China and Japan.

Hastings's management of salt monopoly aimed at helping the

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(1) Sir Reginald Coupland Raffles of Singapore 1946. pp. 92-105.

coastal traders more than the producers or consumers of salt and ran counter to the Court's policy of bringing down the price of salt, without curtailing revenue, through larger production: "....nothing is further from our wish than that the population of the country should be subjected to the alternative of paying extravagantly for one of the essential necessaries of life, or for procuring it by clandestine and illegal manner." (1) The Government first encouraged production by increasing remuneration of the molunghees for surplus produce but when it found this conflicting with the interest of the country traders, who earned freight for their vessels in importing coast salt, the surplus plan was abandoned. (2) The average price of salt rose from S.R. 306. 11 as per 100 maunds in 1814 to S.R. 341 in 1818 and S.R. 418.15 as in 1822. (3) The Court roundly denounced this policy of securing freight to the private traders at a loss of S.R. 54 per 100 maunds and at a prohibitive cost to the people. (4)

Hastings's financial policy came under the criticism of the Court like his foreign policy. No doubt he had left Bengal finances in a better state of affluence. The increase of revenue, compared to 1813, had been by no less than S.R. 2,40,87,808. (5) But the increase of

(1) Court to G.G. in C. (Separate) 24 October 1817.
(2) Court to G.G. in C. (Separate) 9 November 1814.
(3) Accountant General's Reports in Financial Letters and Enclosures Received etc. op.cit.
(4) Court to G.G. in C. 8 August 1821.
(5)

	Bengal Revenue	Surplus Revenue
1813	- S.R. 9,64,45,285	S.R. 2,05,41,213
1822	- S.R. 12,05,33,093	S.R. 2,95,43,235

See G.G. in C. to Court (Terr. Fin.) 26 November 1823.

charges had been inordinate, the debt had risen by £2 millions even after a large amount had been transferred to England[1] and the funding operations had lessened the resilience of the money market in case of a future emergency as it had brought in a flood of bills upon the Court. His government had spent the Company's commercial profits, sent for the sinking fund, for general purposes and had caused a more than £2 millions increase in the territory's debt to commerce.[2] Hastings's Maratha policy was almost disavowed by Canning in the Parliament and by the Court through Charles Grant - though it was acclaimed by Hume and Randle Jackson in the General Court. His policy towards the Calcutta Press was considered unfortunate. Lastly his grave indiscretion in patronising Palmer and Co. and in supporting their sordid transactions at Hyderabad brought on him condemnation of both the Court and the Board and led to his resignation.

The Palmer episode: After William Fairlie had left Bengal in 1812, John Palmer made his the biggest agency house in Calcutta. He naturally wanted to cultivate personal relations with the new Governor General whose agency he sought through the Rear Admiral Sir Home Popham. He was somewhat dismayed when Moira entrusted his

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(1)

	Bengal debt bearing interest	India debt bearing interest
30 April 1814	£ 24,718,500	£ 27,002,439
30 April 1823	£ 26,513,870	£ 29,382,520

(2) Court to G.G. in C. (Terr. Fin.) 14 May 1823.

business to Alexander and Co.[1] But, undeterred, Palmer soon wormed himself into the confidence of the Governor General. One of his many brothers, William Palmer, had been in Hyderabad for some time. Under the patronage of the British Resident, Henry Russell, even holding his office in the Residency grounds, he had been conducting clandestine monetary transactions with the Nizam for assignments on his revenue. He was removed from the Residency after words got about the business and tried to sink in obscurity the original money transactions. At this apparent ebb of his fortune John Palmer took the control from Calcutta. He concerted the plan of securing for Sir William Rumbold, "a sprig of fashion, who has aided in the effort to dissipate the fruits of Sir Thos. Rumbold's avarice," who had married Lord Moira's ward and come out with him to India and for whom the Governor General had great affection, a position in William Palmer's firm. "If such a man might by rational possibility," wrote John Palmer, "find a corner in your establishment, I should venture to assert, that you would not, during the present administration of this government, require the good will, as a sine qua non, of any resident on earth. Lord Moira may be easily reconciled to Sir Wm. Rumbold's holding some

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(1) John Palmer to Henry Trail 16 July 1813. Palmer Papers op.cit. vol. 82 pp. 21-22. John Palmer might have met Popham during the latter's visit with the Romney to Calcutta in the midst of his operations in the Red Sea and the Indian waters about 1800-1802.

official station at Hyderabad and which engenuity (sic) of Mr. Hy. Po. (?) could scarcely fail to contrive and fabricate, on such a gentle hint, as I could easily procure him...."[1] Meanwhile William Palmer had blossomed forth anew as a mercantile firm at Hyderabad, ostensibly speculating in timber, but really in monetary transactions with the Nizam through his corrupt minister ChundooLoll. When, in 1815, Sir William Rumbold joined him (through the machinations of John Palmer), he came out in the open and secured a special licence from the Supreme Government which was necessary under sec. 28 of 37 Geo. III C. 142 which prohibited in general British subjects from entering into pecuniary transactions with the native princes but left the dispensing power to the Governor General in Council. The proviso in the licence that on demand the firm would furnish the Resident at Hyderabad full information of the nature and object of the transactions was never acted upon as the Resident himself and his associates were deeply involved. By the Spring of 1820 the firm had got the Aurangabad contract and lent the Nizam through ChundooLoll 52 lakhs at 25% and squandered much of the Nizam's property in patronage (e.g. a moonshee of William Palmer was getting an allowance of Rs 700 from the Nizam).

Reports on these unsavoury proceedings and the relations between

(1) John Palmer to William Palmer 1 April 1814. Palmer Papers op.cit. Vol. 84. pp. 43-44.

the firm and the Residency began to pour into Calcutta about 1818-19. The house itself was caught in an unenviable position. Most of its debts would not be approved by a British Court. They knew that so long as Russell was at Hyderabad no direct interference of the British government in realization of their claims on the Nizam was necessary. But it was prudent to look to the future as Russell would be returning to England. In these circumstances the plan of the fictitious 60 lakh debt was devised. To set a false track all connection with the Residency was discarded. Then ChunduLoll, a tool in their hands, proposed a loan of 60 lakhs, stating that it was essential for payment of the Nizam's creditors and other reforms of the State. The assumption was that the Palmers were prepared to lend the sum at a lower rate of interest than the Saukars (the Indian bankers). The Resident recommended the loan without any scrutiny and the majority of the Council, contrived by Hastings's own casting vote, sanctioned it in August 1820. ChunduLoll, in proposing the loan, did not specially mention Palmer & Co's name as one of the creditors to be satisfied, nor did Palmer & Co. reply to ChunduLoll's cursory mention of their name in a pointed manner. No special mention was made of their old loans with the Nizam and no reference to the exorbitant interest charged on them while offering the new loan professedly at a lower rate of interest. As the new rate appeared to be 18% which, with a bonus of 8 lakhs to the lenders, came up to 33.1/3%, it could be only imagined how high the interest on the older loans was! Hastings did not enquire into any of these relevant matters and, as a result, the firm was enabled to carry out a fictitious and fraudulent transfer of their existing debt of 52 lakhs at 25% into a debt of 60 lakhs at 33.1/3% - the payment of which was more or less now guaranteed by the Company. Hastings had no idea of what was going on at Hyderabad and how precarious the Nizam's finance could be, otherwise he would not have taken from him a boon (in return of the financial help of the Palmers) in order to build a cathedral at Calcutta and to provide for other public works.

Before the new loan had been pushed through, the Court had sent orders cancelling the permission given by Hastings to Palmer and Company. The Governor General showed further indiscretion in challenging the Court's right to cancel the special licence on the ground that 37 Geo. III C. 142 did not apply to the firm as William Palmer was not a British subject (he was an Eurasian) and even its right to cancel any licence granted by the Governor General in Council. The Board very pertinently asked that, if Hastings's interpretation was right, - "One native partner in a British House of Agency would take the house out of their operation and, a licence once granted, the governing authorities at home would be thenceforth, excluded from any control over measures which might be, in their view, dangerous to the character as well as to the interests, of their Empire in India." The exception in the Act and the dispensing authority of the Governor General in Council did not make the local government coordinate with the Court except in an exigency when it was not possible to refer back home.(1)

These strictures were sent through the Secret Committee on 22 June 1820. Not satisfied still, Canning in a private letter castigated Hastings for taking the boon from the Nizam.(2) The latter, however, remained obdurately prejudiced in favour of the firm until September 1822 though Charles Metcalfe, the new Resident at Hyderabad, had unearthed the fictitious nature of the new loan in 1821 and sent him enough proof of perfidy and fraud committed earlier. The Court and the Board by then had made up their minds and even Lord Liverpool had "no doubt upon the controversy as it appears on the face of these papers that the argument, expediency and even propriety are against Lord Hastings's decision."(3) The home authorities even cast aspersions on his integrity(4) and considered his recall. But Hastings had already decided to resign. On the first day of 1823 he left India - his record of glorious triumph clouded by an act of tragic indiscretion, his services to the British Empire almost forgotten in the babble of hostile criticism.

The Parliamentary Review: The edge of the Court's hostility was sharpened by the general attack on its remaining privileges that had

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(1) Add. MSS. 38,411 - f. 49.
(2) Canning to Hastings 20 August 1821 ibid ff. 54-63.
(3) ibid f. 71. (4) Hastings was ~~accused~~ accused by John Palmer ~~of~~ of faithlessness. See John Palmer to W. Palmer 25 March 1823. Palmer Papers op. cit. Vol. 96. p. 21.

started in 1819 and brought once again its affairs under the review of the Parliament. The attack had begun even earlier in the General Court where the representatives of the private traders had not viewed favourably the recent increase of the Company's trade. Hume and Randle Jackson saw in it another revival of the shipping interest against whose attempts to raise freight they had fought in 1816 and 1817.[1] On 18 March 1818 Hume accused the Court of carrying trade at a great loss - the commercial charges it incurred being 25% more than those of the private traders.[2] On 17 June Randle Jackson asked why shipping of the Company had been increased from 40,000 to 100,000 tons. When Britain entered into a period of trade depression in 1819, on the whole due to a reaction to the over speculation of the war years, the shipping, manufacturing and mercantile classes asked the same questions and claimed greater privilege than envisaged in the Charter of 1813. The most affected was British shipping, "left without employment, in consequence of the peace, which the owners would rather employ, even if they can save the freight, getting nothing by the articles of trade."[3]

This sort of petition was not new and the Parliament had relaxed the Charter regulations before. Thus 54 Geo. III Cap. 34, known as the Circuitous Trade Act, permitted the private traders to touch and trade on both voyages at foreign ports in America, Cape

(1) Debate 20 March 1816, 27 March 1816. The Asiatic Journal Vol. I. p. 380 and pp. 480-81. Debate of 13 February 1817 ibid Vol. III p. 495.

(2) ibid Vol. V. p. 395.

(3) Charles Grant's evidence before S.C.H.L. 1820-21.

of Good Hope, St. Helena and on outward voyage at the Canaries, Cape de Verde Islands and Madeira; secondly, to trade between all ports lying within the Charter (including Cape and St. Helena), directly or circuitously. 57 Geo. III Cap. 36, known as the Malta Trade Act, permitted them to touch at Malta and Gibraltar on both voyages to and from India and trade between these places and places within the limits of the Charter without touching at a British port. A cry was now raised for permission to trade between England, America, the Eastern Islands, China and foreign Europe and to trade in smaller ships, without the restrictions regarding licence, from port to port in India. The Americans again served as the villain of the piece and solicitude for the British manufactures was most vociferously expressed.

The Committee of the Society of Shipowners wanted relief to be afforded by relaxation of the regulations of East India trade "as to enable British ships in the private trade to enter into competition with foreigners, in those branches of commerce with India and China which are now carried on by means of foreign ships."(1) They wanted to take British manufactures to N.W. America, thence fur to China and bring Chinese articles, particularly tea, to foreign Europe. The merchants of London, Glasgow, Edinburgh,

(1) Committee of the Society of Ship-owners to the Lords of the Committee of the Privy Council for Trade and Plantations. 17 August 1819 App. U.S.C.H.C. 1821.

Leeds and Belfast considered that trade with Canton would automatically open trade with America and the Eastern islands. The East India agents prayed for similar privileges for the India-built ships and the Liverpool merchants for the end of restrictions on tonnage and resort to India. The manufacturers of Manchester, in a letter to the Prime Minister, referred to the distress among the weavers caused by the end of war demand, prohibitive duties in America, and lack of proper returns from the East.(1) When the Committee of the Privy Council requested Canning to take up the matter with the Court,(2) Canning urged the latter to open coastal trade in India and tea-trade to foreign Europe, to open a depot of Chinese goods in an eastern port or at least to supply China tonnage to the private traders.(3) The Court replied in the negative. It ascribed the present distress to over speculation, rejected the proposal of a depot for Chinese goods on the plea of smuggling and agreed to allow China tonnage but not to take private supracargoes.(4) The whole affair was ultimately referred to Select Committees of both Houses of the Parliament.

In analysing the evidence before the bar of the Parliament it is amusing to find the Company and the owners of the India-built ships make common cause against the British ship-owners. After 1813 the

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(1) ibid.
(2) The Committee of the Privy Council to Canning 23 August 1819. ibid.
(3) Canning to Court 17 May 1820. ibid
(4) Court to Canning 7 June 1820. ibid.

latter's monopoly of coastal and country trade had been seriously challenged by the British private traders and ship-owners, who engaged in port to port trade without any legal authority.(1) The country ships could not afford such low freight. Ships lay idle at Calcutta and less keels were being laid than before.(2) The British ship-owners' open pretension to coastal trade and claim to employ smaller vessels(3) rang like death-knell in the ears of the agency houses which had speculated in ship-building in Bengal. Similarly it seemed to bring chaos to the Company's well-knit China-monopoly and ruin to opium-revenue by introducing Turkish opium. Circumstances thus made the erstwhile antagonists bedfellows. Robinson and Reid - Chairman and Deputy Chairman of the Court, Charles Grant and William Fairlie (who had the largest stake in country ships) valiantly fought for the India-built ships. Charles Grant pertinently pointed out that the China monopoly was the cornerstone of the Company's present trade and the only way of profitable remittance of the Indian surplus revenue and that the country traders had always been the medium of remittance from India to China.(4)

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(1) J. Crawfurd's evidence before S.C.H.L. 13 June 1820.
(2) Evidence of George Larpent before S.C.H.C. 1821 23 March 1821.

Ships built in Calcutta

Year	Tonnage	Year	Tonnage	Year	Tonnage
1818	6865	1820	3953	1822	2177
1819	3222	1821	3706		

J. Phipps History of Shipbuilding in Calcutta op.cit.

(3) Evidence of Robert Rickards before S.C.H.L. 30 June 1820. Evidence of John Forbes Mitchell 24 June 1820.
(4) Charles Grants' evidence before S.C.H.L. 6 July 1820.

But there was enough evidence on the other side to show that the Americans, trading in smaller vessels and catering to the demand for British manufacture in the Eastern islands and for tea in Europe, had almost monopolised the coastal trade, the trade in tea with Europe and trade in general among the Eastern islands. (1) The demand for British goods in India had greatly increased through fall of prices (3) and might be more profitably met if returns were obtainable from China. The high price of Indian goods like indigo and cotton and the almost unprocurability of silk lent special strength to this argument.

The First Report of the Select Committee of the House of Lords on Foreign Trade (11 April 1821) recommended abolition of the licence system, grant of permission to take smaller ships and to trade with minor ports on the Indian coast and maintenance of a free port in the East Indies. The Second Report (18 May 1821) focussed attention on another grievance of the private traders - duty on Bengal silk and regulations of the Company "by which the employment of capital, the price, and with the price the direction of labour, have been very unhappily controlled." It recommended grant of permission to trade directly or circuitously between ports within the Charter limits (except China) and ports beyond them,

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(1) James Goddard's evidence 1 June 1820, Al Robertson's evidence 20 June 1820.

(2) J. Gladstone's evidence 14 March 1821

belonging to states in amity with Britain.

I and 2 Geo. IV C. 65, which were based on these reports, could not satisfy the free traders and agitation went on against limitation on size and prohibition of port to port trade. The Third Report of the Select Committee of the Commons (10 July 1821) discussed such proposals. The sine qua non of trade with the East was sale of British manufacture in which the private traders had admirably succeeded. Reduction of prices bade fair to still greater success. Hence restriction on the size, which interfered with trade among the small islands of the East Indies, and ordinary licences should be repealed. The India-built ships had almost equal rights with ships under the British registry by virtue of 53 Geo. III Cap. 155, 55 Geo.III Cap. 116 (which extended the Circuitous Trade Act to them), 57 Geo. III Cap. 95 (which exempted them from the Navigation Laws), and 1 and 2 Geo. IV Cap. 15 (which allowed them to trade with Europe). It was better to provide them with the remaining privileges (like port to port trade in Britain or trade with the Colonies) than to deprive ships under the British registry of the coastal trade of India. The Charter Act, unfortunately, precluded the Parliament from interfering with the restrictive clauses regarding resort of persons to India but the Committee hoped the Company would be liberally disposed in these matters. So far as the China monopoly was concerned, it was not convinced by Grant's arguments that free trade would lead to increase of price, debasement of quality or conflict with the Chinese authorities. The China monopoly prevented further growth of commerce with India and the East Indies by denying proper returns to the Mother Country. Demand for British goods in Malay could be met only if Malayan goods (which had little demand in England) could be sold in China and the proceeds brought to Europe in Chinese goods. The Committee confessed its inability to attack Charter rights directly and suggested occupation of a convenient port in the East Indies or establishment of a consulate in Java and arrangements with the Dutch government about fair and equal access of the British traders in that region.

The home government proposed to give effect to these recommendations in the East India Trade Bill. As in 1814 the British shipping interest had prevailed on Lord Liverpool to deny full privileges of British registry to the country ships,(1) so in 1821-22 it prevailed on him again to propose legislation which was sure to affect the interest of the country ships. The Board wanted to give it right to trade with the British colonies and wanted the Court to waive its limitation on the size of vessels.(2)

(1) Ship-builders of the Port of London and outports to Liverpool 18 May 1813 and 13 December 1813. Add. MSS. 38,410 f. 247 and ff. 304-331.

(2) Courtenay to Dart 3 May 1822. The Asiatic Journal Vol. XIV p. 141.

The Court in return bargained for the same privileges for the country ships and for moderation of the duty on Indian sugar.(1) When the Board declined, it referred to high tariffs on Indian goods in the colonies and pressed for some countervailing advantages.(2) The General Court on 19 June 1822 stoutly opposed the Board's proposals and the Chairman openly expressed his helplessness in view of Lord Liverpool's decision to protect the West Indies sugar interest.(3)

Though the bill was dropped in 1822 all the elements of a future conflict were there. The private traders, one of the causes of whose distress was certainly over speculation, laid their failure at the door of the remaining commercial privileges of the Company. The limited rights given by the Charter of 1813 had only whetted their appetite for more. They had been able to acquire 38% of Bengal's import trade while the Company had another 3%. But while they had won about 19% of Bengal's export trade the Company controlled no less than 17%. In fact the Company's growing remittance trade from India had caused a decline of their share in the five years between 1817 and 1822 from about $30\frac{1}{2}$% to 19%. Though the total trade with Britain

(1) Dart to Courtenay 23 May 1822 ibid pp. 141-143.
(2) Dart to Courtenay 27 May 1822 ibid. pp. 144-45.
(3) ibid p. 264.

far surpassed trade with any other part of the World, the British traders' difficulties were the foreign traders' opportunities. What might not be done if the private traders could maximise their returns by trade with China or the East Indies, if they could dump their unsold goods and procure returns much cheaper than the rising price of Indian goods would allow.(1)

Monopoly profited from concentration but free trade would either cover the widest possible range of markets or die of atrophy. The dynamic of machine-production demanded a continuous expansion of the scope of trade. The abundance of capital in Bengal added to the pressure. It alternatively sought opportunities for trade or investment and found the former barred by the Company's remittance trade and the latter by the law against European ownership of land. They were two aspects of the same question. Only by long term investment in cash crops of India - particularly indigo at this juncture - could a profitable remittance of private

(1) Bengal Trade in 1822-23

Countries	Import	Export
U.K. (Private & Company)	41.6/16%	36.3/16%
Lisbon	5.7/16%	3.13/16%
France	4.6/16%	3.4/16%
America	11.14/16%	4.9/16%
Java	4.4/16%	4.1/16%
Penang	3.1/16%	4.4/16%
China	8.12/16%	19.8/16%
Gulfs	8.12/16%	5.3/16%
Malabar	1.8/16%	6.2/16%
Coromandel	1.11/16%	6 %

fortunes be insured. The Europeans had so long evaded the letter of the law by holding land in the name of their native gomasthas but it caused great inconvenience before the Law Courts, encouraged intransigence of the cultivators and made them a prey to demand for higher rents from the zemindars. The transit and town duties in India and the excessive import duties in England came in for criticism also as they imposed intolerable burden on the private traders. The logic of free trade demanded not only the end of the China monopoly but free and unfettered investment of capital in Indian raw materials and free and unfettered transport from the place of production to the place of consumption.

The new philosophy of free trade was admirably summed up by Rickards when he said before the Select Committee of the House of Lords, "...it is obvious that it will be far better for the Indian to raise cotton than to spin and weave it, when he can procure the manufactured article he wants cheaper than he can make it, by exchanging it for the raw material." Bengal's system of production was now completely geared to the demand of industrialised Britain and her economy prospered or decayed according to the fluctuations of the London market. The returns of internal trade between Calcutta and other parts of India clearly evince a growing trade[1] but a trade in raw materials which increased the value of land.[2] This naturally explains the similarity of outlook of the Indian bourgeoisie like Rajah Rammohan Ray and Dwarkanath Tagore and the British private traders. Both desired free movement of capital and skill from England for further development of raw material resources. They received the sympathy of the utilitarian administrators of Bengal - at the head of them Lord William Bentinck himself. The abolition of the Company's China monopoly and the Indian remittance trade was a consummation devoutly wished by the British as well as the Indian middle class. The latter had found out a more realistic and, in the circumstances, more progressive modus vivendi with foreign rule where the princes had failed so completely in 1818.

(1) Internal Trade of Bengal
Through the town of Calcutta (CUSTOMS HOUSE)

Year	Import: From the Compan's Dominions	Import: From other parts of India	Export: To the Company's Dominions	Export: To other parts of India
	S.R.	S.R.	S.R.	S.R.
1813-14	2,18,24,710	37,33,430	70,95,371	2,36,613
1814-15	2,86,67,379	33,73,673	81,46,661	1,93,751
1815-16	3,37,36,787	57,60,608	1,02,62,762	1,57,562
1816-17	4,36,13,466	51,86,781	1,30,07,821	1,57,562
1817-18	4,19,67,876	48,71,896	1,22,47,696	2,95,957
1818-19	4,41,58,722	37,79,202	1,54,53,515	6,74,946
1819-20	4,81,00,541	51,25,454	1,29,41,919	3,80,336
1820-21	4,16,36,180	44,81,004	1,51,97,981	6,26,138
1821-22	4,50,58,830	53,10,301	1,52,60,363	5,43,627
1822-23	4,25,08,692	52,36,253	1,57,73,761	4,29,129

(2) At revenue sale land realised 71 years' purchase in 1813-14, 38½ years' purchase in 1815 (Nepal War) and 29 years' purchase in 1818 (Maratha War) but rose to 67 years' purchase in 1821. See Court to G.G. in C. (Revenue) 21 March 1821. G.G. in C. to Court (Revenue) 1 August 1822 and 30 July 1823.

CHAPTER V

The Collapse of the Agency Houses and the End of the Company's Trade

In this Chapter I propose to deal with the currents of trade and of public finance which led to the wholesale failure of the Calcutta agency houses and the abolition of the Company's India trade and the China monopoly. After Hastings's departure the Government of Bengal followed a cheap money policy in the interests of the agency houses which led them to engage in large scale indigo speculation. The Burma War, however, by attracting funds to Government loans, reacted injuriously on the agency houses and caused the first indigo crisis and failures which prompted a liberal policy on the part of the Government towards the introduction of European capital in India. Inspite of this policy trade depression in England and withdrawal of capital from India led to the complete collapse of agency houses in the thirties. The same trade depression forced the British manufacturing class to demand the end of the Company's remittance trade and the China monoply. After lengthy Parliamentary investigations the Charter of 1833 deprived the Company of Commerce and opened India to the British Capitalist enterprise and with it a new era in her history.

The private remittable capital of Bengal, after years of accumulation caused by over speculation in import and stagnation of export trade, found some channel of remittance in 1822 through the Company's financial operations. The conversion of the remittable debt in that year led to a transfer of capital to England which the Bengal Government tried to provide for by an enhanced investment and export of bullion. Paradoxically, this action came into conflict with private trade and capital was still abundant and commercial prospects were gloomy when the Marquess of Hastings departed from India on 1 January 1823.

John Adam, "the honest Adam", who supported Charles Metcalfe so bravely during the discussion on the Palmer Company's Hyderabad transactions in the Bengal Council, became the acting Governor General pending Lord Amherst's arrival. With the help of Holt Mackenzie, Secretary in the Territorial Department and an adherent of the utilitarian doctrines which had begun to percolate into India, Adam devised certain measures to meet the chronic demand of the agency houses for cheap capital and of the private traders for profitable remittance.

Cheap money policy: For the former they adopted a cheap money policy. It had two aspects - reduction of interest on the public debt which would automatically bring down the market rate and, secondly, a new Charter for the Bengal Bank which would allow a more liberal expansion of credit. A flourishing state of revenues and large cash balances enabled them to liquidate a part of the non-remittable debt of 1821 and convert the remainder into a 5% loan.(1) The Court would have rather liked the resources of Bengal applied to the reduction of the remittable debt or the reduction of the rate of exchange allowed in the case of such debt because thses affected the home finances. Non-remittable debt was innocuous in this sense and for political reasons, clearly expressed by the Marquess of Hastings, the home authorities did not want any interference with it. The Court would have further liked a repayment of the debt which the territory owed to commerce - £2,787,575 by 1823-24, - either by larger investments or by export of bullion.(2) The Government sent 42 lakhs in specie and promised to send another crore in 1824(3) but considered itself rich enough to tackle the debt simultaneously.(4) The conversion operation was successful. Many creditors were forced by abundance of capital and high price of indigo to agree to the reduction of interest, particularly when the Government promised not to reduce the rate in the near future

(1) Adam to Chairman 17 January 1823. I.O. Letters Received from Bengal. Vol. 89.
(2) Court to G.G. in C. (Terr. Fin.) 4 June 1823.
(3) G.G. in C. to Court (Terr. Fin.) 12 December 1823.
(4) G.G. in C. to Court (Terr. Fin.) 28 November 1823.

and held out the hope of remittance through interest bills at 2s. subject to the Court's approval.[1] For the Bank of Bengal the Government proposed augmentation of capital, increase of note-issue to four times the capital and diminution of the proportion of securities and gold to notes from one-third to one-fourth. While the first would enable it to absorb some superficial wealth seeking investment, the last two would enable it to pursue a more flexible policy of accomodation to the agency houses and to relieve pressure on the money-market when the Government borrowed heavily.[2]

To facilitate private remittance through trade Adam decided to reduce transit duties and even suggested their total abolition in order to create a national market. The Court had desired as early as 1814 that internal duties should not have the effect of diminishing consumption or materially obstructing the free transport of articles among the natives.[3] Hastings who was hard pressed for revenue, could not pay any attention to these noble sentiments which, congenial to the utilitarian concepts of Adam, roused him to write a powerful Minute.[4] It not only asserted the necessity and justice of lowering the transit duties of 7½% on Bengal piece goods (while the British cotton manufacturer paid an import duty of 2½% only and even

(1) G.G. in C. to Court (Fin.) 14 February 1823, 26 February 1823.
(2) G.G. in C. to Court (Fin.) 30 July 1823.
(3) Court to G.G. in C. (Separate Customs) 28 December 1814.
(4) Adam's Minute 22 May 1823. First App. II Trade. Third Report of the Select Committee of the House of Commons 1831.

the Oudh Cottons a transit duty of $2\frac{1}{2}\%$) but advised the total relinquishment of transit duties specially in the case of raw materials. Town duties he was not prepared to forgo but preferred applying such revenue to local improvement to the earlier policy of application to general purposes. In this he only underlined the new consciousness of the needs of a public works programme which, by improving communication and facilitating transport, would help internal trade. Adam was backed by Holt Mackenzie and Charles Metcalfe. Transit duties on piece goods were reduced to $2\frac{1}{2}\%$ and Sayer duties were abolished in the Delhi territory. Though the measure left much to be desired,(1) at least the first step had been taken in the direction of freedom of internal trade.

The great indigo boom: The debt policy of the Government achieved the aim of securing cheap capital to the agency houses. For the first time in their history they could get plenty and at less than 8%. But in this process it accentuated some old evils and created some new ones. The capitalists became nervous about the future intentions of the Government and the forced payments of about £4,640,000 added to the abundance of the capital market. Remittance through trade was more difficult in 1823. Exports declined by a crore

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(1) As Charles Trevelyan points out in his report "...Indian piece goods were still liable to a heavier duty in the home market than those which were imported into England, by no less than 15 per cent." A Report from the Inland Customs and Town Duties of the Bengal Presidency. op.cit. p. 9.

in official value - not so much to the United Kingdom as to France, America and China. There was no trade with Portugal at all though trade with Brazil and South America increased. To the factors already in operation - fall of demand for piece goods and raw cotton and the abnormal rise of indigo prices (Rs. 312 per factory md. in 1822 and Rs. 277 in 1823) - the decline of opium trade was added. The improvident Malwa opium policy of the Bengal and the Bombay Governments had led to over production in both Bengal and Malwa opium, an excess of supply to the China market and its ultimate collapse in 1823. Moreover, out of the actual surplus exports of 416 lakhs the Company claimed as much as 200 - leaving a large amount of remittable capital desperately searching for a profitable investment.

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(1) CALCUTTA-WORLD (CUSTOMS HOUSE)
The Company's and Private Trade

	IMPORTS			EXPORTS		
	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1823-24	2,61,98,443	1,31,69,214	3,93,67,657	5,05,45,292	1,22,53,039	6,27,98,331

CALCUTTA - UNITED KINGDOM

The Company

	IMPORTS		EXPORTS	
	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1823-24	20,95,499	x	92,75,945	41,90,573

Private Trade

	IMPORTS		EXPORTS	
	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1823-24	1,37,67,035	5,24,032	1,35,64,851	2,23,767

(Continued)

Footnote (1) continued from previous page.

CALCUTTA - UNITED STATES

	IMPORTS S.R.	EXPORTS S.R.
1822-23	52,50,665	30,63,019
1823-24	14,66,155	12,25,000

CALCUTTA - FRANCE

	IMPORTS S.R.	EXPORTS S.R.
1822-23	19,48,992	21,78,423
1823-24	3,17,560	3,00,506

CALCUTTA - CHINA

	IMPORTS	EXPORTS
1822-23	38,49,356	1,30,74,663
1823-24	60,22,427	1,00,55,130

Bengal Commercial Reports 1822-23.

Exchange fell to 1s 11d as demand for bills grew. Land and Government securities rose in value - premium on the remittable debt to Rs 39% and on the new 5% debt to Rs.12 10 as% in December 1823. The agency houses were pressed with deposits for a little more than what the Government gave and thought it opportune to utilise the cheap capital in expanding their indigo concerns beyond all reasonable bounds. They were tempted to start an indigo boom as indigo still commanded very high prices and remained almost the sole means of private commercial remittance. A study of official records shows that the largest number of licences were taken by individuals for joining indigo concerns during 1823 and 1825. The Europeans, going into indigo in a big way, demanded the right of ownership of land so that they could use their capital and skill with greater effect and to larger profit. The new Governor General, Lord Amherst, had to pass Regulation VI of 1823 which enabled the planters to recover advance with interest by a Summary Suit from the indigo crop on which they could set a police watch till the Court made a decision. In 1824 another concession was made to the European capitalists which was to have an important bearing. By the resolution of 7 May 1824 the Government allowed them to lease land for coffee cultivation, though under adequate safeguards.

The Burma War: In its solicitude for the agency houses the Government forgot to consider that whenever it would be forced in a future emergency to pay a higher interest, the reaction would affect the agency houses first and adversely. Such an emergency arose during the Burmese War which began on 24 February 1824 for causes similar to those of the Nepal war. The rapid expansion of the Burmese power over Manipur (1813) and Assam (1816) brought it into perilous contiguity with the Company's possessions and when Amherst took Cachar under the British protection in 1823, a direct contact was established which soon degenerated into raids and counter raids across the border. Foiled in obtaining fugitives, the Burmese sent troops with orders for capturing Calcutta. They made an attack on the Company's garrison which had occupied Shahpuri island near Chittagong. When the demands of redress were ignored, Amherst reluctantly declared war.

Ignorant of the difficulties of military action in the swampy terrain of Burma, indifferent at first to the complex problems of supply and commissariat which were the backbone of an overseas operation, the Government fondly hoped for a quick decision. Victory in Assam seemed to raise expectations high but Campbell's expeditionary force was soon bogged down after reaching Rangoon and suffered terrible privations during the Monsoon. Nobody was prepared for a long Campaign nor contemplated its effects on public finance. To meet the fast increasing military charges as well as the usual demands from China and Bombay, the Government was forced to suspend consignment of the promised bullion to England, to sell bills to private traders at 1s 11d, to stop all public works and then to open a loan at 4% with option of remittance of interest at 2s. during the Court's pleasure and irredeemable without the parties' consent before 30 April 1830.(1)

The sop of remittance did not hold much attraction, however, and the capitalists in a body, restless for a higher return for funds, showed a disposition to hazardous investments. Though there was a spectacular inflationary movement in England and something like a stock piling of raw materials, trade was slack. Increase of exports to England was offset by a similar rise in imports - mostly cottons and spelter - and country trade continued its decline as before. Though trade with France and the United States was a little better, Lisbon, Brazil and South America took very little. Supplies to Burma artifically inflated trade with the Coasts but trade with the Gulfs languished.(2)

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(1) G.G. in C. to Court (Terr. Fin.) 31 Dec. 1824.

(2) CALCUTTA - WORLD

	IMPORTS			EXPORTS		
	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1824-25	2,86,55,916	1,21,42,271	4,07,98,187	5,26,16,355	34,91,676	5,61,08,031

CALCUTTA - UNITED KINGDOM

The Company

	IMPORTS		EXPORTS	
	Merchandise	Treasure	Merchandise	Treasure
1824-25	14,23,332	0	1,25,31,364	0

Private Trade

	IMPORTS		EXPORTS	
	Merchandise	Treasure	Merchandise	Treasure
1824-25	1,61,84,454	13,250	1,39,30,093	2,69,466

Footnote (2) Continued.

	CALCUTTA-FRANCE IMPORTS	CALCUTTA-FRANCE EXPORTS	CALCUTTA - U.S. IMPORTS	CALCUTTA - U.S. EXPORTS	CALCUTTA- CHINA IMPORTS	CALCUTTA- CHINA EXPORTS
1824-25	11,55,195	12,24,445	21,10,307	22,89,719	39,91,176	1,00,59,322

	CALCUTTA-PENANG IMPORTS	CALCUTTA-PENANG EXPORTS	CALCUTTA-JAVA IMPORTS	CALCUTTA-JAVA EXPORTS	CALCUTTA-MANILLA IMPORTS	CALCUTTA-MANILLA EXPORTS
1823-24	16,22,482	29,08,094	15,89,648	17,17,083	6,08,174	1,11,552
1824-25	18,99,064	23,81,588	7,26,294	6,28,506	4,20,471	5,06,934

	CALCUTTA-COROMANDEL IMPORTS	CALCUTTA-COROMANDEL EXPORTS	CALCUTTA-MALABAR IMPORTS	CALCUTTA-MALABAR EXPORTS	CALCUTTA-GULFS IMPORTS	CALCUTTA-GULFS EXPORTS
1823-24	9,86,138	23,83,568	12,64,814	37,01,975	24,18,321	34,15,597
1824-25	33,97,643	18,53,201	12,98,444	13,20,376	18,19,883	27,13,344

	CALCUTTA-BRAZIL IMPORTS	CALCUTTA-BRAZIL EXPORTS	CALCUTTA-SOUTH AMERICA IMPORTS	CALCUTTA-SOUTH AMERICA EXPORTS
1823-24	11,02,426	6,00,137	35,66,882	12,08,775
1824-25	9,23,291	4,50,271	33,52,311	6,81,551

Bengal Commercial Reports.

Out of the actual surplus exports of 371 lakhs the Company claimed 135. It had been buying indigo on a large scale for some years, ordering about 40 lakhs on the average, as it seemed to be the only means of paying the interest bills and gave a remittance of 2s $1\frac{1}{2}$d. It virtually prevented private speculation in silk by ordering as much as 7000 bales worth $73\frac{1}{2}$ lakhs. Bereft of remittance through trade and reluctant to remit in bills which went down to 1s $10\frac{1}{2}$d, the private British capitalists were caught by the agency Houses at their weakest moment. The latter could dictate as low an interest as 6% and then invest everything in indigo. They lavished the marginal concerns with advances and new concerns began to sprout like mushrooms all over the Presidency. This eventually led to bitter rivalry, constant squabbles and even armed conflicts between the neighbouring planters. The full blast of the indigo boom fell on the peasantry of Bengal.

The end of the borrower's market: The continuation of the Burmese War in 1825 brought about a fall from this borrower's paradise. As military charges rose over five crores, surplus revenues of Bengal fell in 1824-25 to S.R. 31,93,522 and the Indian revenue even showed a deficit of S.R. 1,47,64,833.(1) Over and above a full investment of S.R. 1,45,47,372 Bengal had to supply China with S.R. 70,09,722, and to meet the needs of Bombay whose deficit passed a crore and of Madras

(1) G.G. in C. to Court (Terr.Fin.) 13 April 1826.

which showed a deficit of 50 lakhs. Desiring to avoid loans at a higher interest out of a solicitude for the agency houses, the Government asked the Court for bullion which was being rapidly drained away to Burma.(1) The decline of bullion imports for some years increased the scarcity of silver and the Government securities exhibited an ominous downward trend, premium falling to Rs. 32% on the remittable debt and to Rs. 2/8% on the 5% loans. Ultimately on 19 May 1825 the Government resolved to float a 5% loan to which 4% loans of 1824 could be subscribed if the creditors also lent an equal amount in cash.(2) The same remittance of interest at 2s. was granted. Though the loan promised to be successful the turn of the money market precluded any further borrowing by the Government without seriously harming the agency houses which had already been forced to pay 8 to 9% again as their constituents opted wholesale for the Government loans, the terms of which were better than before. "In truth however if the war shall unfortunately continue it may become impossible for us to raise the necessary supplies at anything like 6%, if at any legal rate, and to suspend civil allowances and curtail the provision of the investment may become measures of absolute necessity which however

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(1) G.G. in C. to Court (Terr.Fin.) 17 February 1825.
(2) G.G. in C. to Court (Terr. Fin.) 4 August 1825.

much we may deplore we may have no option of averting." The Government suggested borrowing in London where interest rate was one third and "it might be regarded as affording a desirable opening for the employment of superabundant capital which appears to be seeking channels the most remote and precarious."

Determined to oust Amherst and caring little for the agency houses, the Court did not lend its ear to this proposal. On the contrary it asked Bengal to make arrangements for payment to the trustees of the Deccan prize money. The only concession it made was an authority to draw bills on account of public service.(1) The Government, therefore, fell back on its old ally in distress - the Vizier of Oudh - for the much-needed Burma supplies. The Vizier was persuaded to lend a crore at 5% on the condition that the Government would pay his stipends. "There appears," wrote Amherst, "to be no difficulty in letting them (the native princes and zemindars) know that the act must be entirely voluntary although it will be received as an indication of attachment and as constituting in a certain degree a title to consideration in matters of pure grace and favor."(2) Sophistry could go little further.

The Oudh loans, treasury notes at 6½% and local levies saw through the Burmese War which came to a victorious conclusion in

(1) Court to G.G. in C. (Terr. Fin.) 21 June 1825.
(2) Amherst to Chairman 25 August 1825. I.O.Letters received from Bengal vol. 95. Amherst to Liverpool 4 September 1825. Add.MSS. 38,412 f. 18.

February 1826. Though the home Government had warned Amherst at the beginning that "No increase of territory is to be made",(1) it asked him in 1825 to safeguard the Company's eastern frontier by the acquisition of Assam, Cachar, Manipur and Arracan.(2) By the Treaty of Yandabo Amherst exacted from the King of Burma all these territories to which Tennasserim, Jaintia and an indemnity of one million pounds were added. Victory in Burma almost coincided with Lord Combermere's successful reduction of the fortress of Bharatpur in vindication of Sir David Ochterlony's policy towards the state of Bharatpur against the usurpation by the cousin of the minor ruler whom Ochterlony had placed upon the throne.

But the end of military engagements brought no immediate respite. Extra batta for the troops, who served in Arracan and Ava, swelled the military charges of 1826. Durbar charges went up as the mission to Ava was added to the mission in Persia. Bombay was extravagant as before. Bengal revenues were deficient by S.R. 1,12,86,416 and the Indian deficit rose alarmingly to S.R. 2,90,78,680.(3) Bengal debt bearing interest, £23,620,967 on 30 April 1825 had increased to £29,305,395 in one year and in order to continue European investment on the old scale (S.R. 1,69,67,193 in 1825-26) the Government was forced once more to borrow 50 lakhs from the Vizier.(4) It had twice

(1) Quoted in C.H.Philips The East India Company 1784-1834 op.cit p. 254.
(2) ibid p. 260.
(3) G.G. in C. to Court. (Terr. Fin.) 19 April 1827.
(4) G.G. in C. to Court (Terr. Fin.) 4 August 1826.

refrained from applying to the money-market to save the agency houses from an inevitable rise of interest rate.

Its tender considerations for the agency houses could not achieve this end, however, and they appealed to Holt Mackenzie for assistance on 24 May 1826.(1) They were now paying an interest from 15 to 18% and even 24% in some cases. 12% was the ordinary rate for loans on deposit of securities. Goods in demand were unsaleable for want of cash. The immediate cause was the Government's 5% loan which was still open and attracted the capitalists who hoped for a high premium after peace. The agency houses had invested cheaply borrowed capital in permanent objects like indigo, cotton, screws and docks. "These united resources have enabled them to promote the development of British industry elsewhere, to support establishments in Penang, Malacca, Java, Sumatra, China, Manilla, New South Wales, the Cape of Good Hope, Mauritius etc. and even to aid the financial difficulties of the Java Government." Moreover they had lent on a large scale to the Company's servants.(2) Such capital could not be readily realised in emergency. "Our means may be most extensive, our business solid and productive ....yet the sudden demand of our constituents excited by a particular impulse may far exceed the power to

(1) Financial [redacted] Letters and Enclosures Received 1826. I.O.Vol. 17. pp. 461-65.

(2) In 1822, 119 civil servants applied to the Government for relief from debt. 112 between them owed S.R. 8,566,371. The most prominent of the causes given were compound interest charged by the agency houses and 'public virtues'. See G.G. in C. to Court (Terr.Fin.) 18 August 1825. They desired either a remittance through the Company or a United Service Bank to take up agency and mercantile business on their behalf. The Military servants owed still more.

answer them. They have already withdrawn from our circulation full a crore of rupees for ingestment in the loan, and we have indirectly been deprived, by the same cause of resources perhaps to the extent of another crore.....The Shroffs are themselves crying out for relief." As an evidence they produced a letter of the Shroffs to John Palmer 22 May 1826 (1) which complained of a scarcity of specie caused by the 5% loan, exportation in the last three years, smaller imports particularly from America and China and very inadequate aid from the Bank of Bengal. (2) The six principal agency houses wanted as measures of relief the closure of 5% loan, issue of treasury notes upon competent securities at long dates and grant of a loan.

A greater facility of remittance through trade to England, consequent on a speculative purchase of raw materials by the British manufacturers, and continued stagnation of country trade in 1825 contributed to this distress. The former added to the difficulty of

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(1) Financial ~~Bengal~~ Letters and Enclosures Received op.cit. pp. 465-470.

(2) Bank of Bengal's Notes in Circulation

1 May 1822	S.R. 58,40,542
1823	1,29,00,864
1824	85,81,148
1825	85,08,426
1826	84,52,042

Accountant General's Report 31 May 1826. Financial [redacted] Letters and Enclosures Received op.cit. p. 471.

obtaining capital and the latter led to a great loss in opium.(1) Holt Mackenzie understood this and proposed granting a loan of 20 lakhs payable by 12 December 1826, suspension of cash subscriptions

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(1) CALCUTTA-WORLD (CUSTOMS HOUSE)
(The Company's and private trade)

	IMPORTS			EXPORTS		
	Merchandise	Treasure	Total	Merchandise	Treasure	Total
1825-26	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
	2,14,98,729	1,50,58,005	3,65,56,734	5,66,39,922	1,38,704	5,67,78,626

CALCUTTA - U.K.

	The Company				Private trade			
	IMPORTS		EXPORTS		IMPORTS		EXPORTS	
	Merchandise	treasure	Merchandise	treasure	Merchandise	treasure	Merchandise	Treasure
1825-26	3,74,648	x	1,26,78,980	x	1,24,93,958	1,56,978	1,71,31,915	48

Articles exported to World

	Cotton Piecegoods	Silk Piece goods	Indigo	Sugar	Silk	Cotton	Opium
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1823	58,72,729	23,79,827	87,38,205	22,68,433	66,59,385	23,47,568	1,05,39,345
1824	42,25,719	33,19,032	134,30,269	21,41,869	75,46,762	32,28,335	90,82,732
1825	34,13,454	35,81,549	163,30,506	24,75,879	81,05,170	30,57,130	82,88,393

Articles exported to U.K.

1823	3,98,385	9,28,178	79,75,068	17,81,147	61,99,650	4,51,021
1824	6,55,942	13,75,069	1,13,24,768	14,86,000	70,99,203	5,01,779
1825	3,21,743	18,21,516	1,29,45,734	15,88,504	76,71,306	4,76,169

Bengal Commercial Reports.

to the 5% loan and a greater accomodation by the Bank of Bengal.[1] But he could not rest content with such a superficial palliative. The key to the crisis he found in the various artifical obstructions which impeded the internal and external trade of Bengal. In a powerful Minute he wrote with the draft of Regulation XV of 1825 (Customs) he condemned the transit duties as "a complex and burthensome system, which divides the different provinces of the country from each other, exposes the merchants to numerous detentions, frequently vexations and expensive, and subjects the Community in general to the hateful requisition of a host of petty Tyrants." The Minute anticipated Charles Trevelyan's famous report of 1835. It showed how they prevented the formation of a national market "No interchange of goods can take place between districts separated by a line of chokeys, unless the difference of price shall cover not only the export of transportation and the other charges of merchandise, but also the duty of 5 or 7½% levied by Government."[2] Contrary to current canons of taxation the burden fell on those places where the consumers would

(1) Holt Mackenzie to merchants. 8 June 1826. Financial Bengal Letters and Enclosures Received op.cit. pp. 482-83.

(2) There were fifteen chokeys between Patna and Calcutta independent of the salt and opium chokeys and thirty one between Benares and Calcutta. See Bhairab Chunder Moteelal to the Editor of the Samachar Chundrika translated in the Calcutta Courier 8 August 1832. "Bands of custom-house officers are therefore let loose, without any regular allowances, upon the trade and communication of the country, to derive the best subsistence they can from extortion and collusion." C.E. Trevelyan op.cit. p. 48.

have most to pay. Production was checked by impossibility of division of labour and narrowness of market. The small capitalists were driven out by the big ones who could pay duty as well as perquisites of the customs house officers. Holt Mackenzie was convinced that the transit duties could be abolished without any considerable sacrifice (say about 22 lakhs) and though this could not be immediately made good by an increase of Sea Customs, "a considerable part may certainly be so, and in as much as the proposed arrangement will operate, as I hope, to extend trade, and will enable us to reduce establishments, the balance cannot be reckoned as a net loss."(1)

Huskisson's tariff reforms: Another and a far greater statesman, Huskisson, was writing the principles of free trade into the laws of England at this time and we should consider their respective measures as complementary. Huskisson's tariff reforms were based on the belief that unrestricted internal and international competition would best serve the interests of the British manufacturers and consumers. If England's lead in the industrial production was to be clinched and the new world of Canning was to redress the economic balance of the old, free trade was imperative. Under conditions of relatively full employment and trade boom the manufacturers could afford to be liberal in trade policy. They were more anxious to secure raw materials like cotton, silk and indigo than to prohibit Indian manufacture which had

(1) Holt Mackenzie's Memorandum. Bengal Salt and Opium Consult. 23 June 1825. The Court handsomely approved it. See Court to G.G. (Comm[l]) 10 June 1829. See also Holt Mackenzie's evidence before the S.C.H.C. 1832 II Fin. Q 77 et seq.

already been beaten in fineness and cost of production. They had even carried the machine-made twist and yarn to India since 1824, the rapid growth of which soon threatened the native hand-spinning industry.(1) As Halevy says the tariffs on Indian cottons were tariffs "on the void, and protected England against a non-existent competition."(2) Robinson and Huskisson were further encouraged by the prospects of the past two years. By several acts in 1825 duty on cotton manufacture including the prohibited goods was reduced to £10% ad valorem, on indigo to 3d per lb., on silk to 1d per lb. and on cotton to 6 shillings per 100 lbs. Huskisson, however, failed to persuade the Spitalfield silk manufacturers and West Indies sugar interest to allow a reduction of duties on Indian silk manufactures and sugar.(3) The former, though allowed to be imported for home consumption, were subjected to a duty of £30% and sugar still bore a duty of £1 17s. per cwt. - 10 shillings more than the produce of the West Indies.

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(1) Import of Cotton Twist from U.K.

	S.R.
1824	81,145
1825	1,41,305
1826	8,09,052
1827	18,42,110

H.H.Wilson op, cit.

(2) Elie Halevy A History of the English People 1815-1830 T. Fisher Unwin Ltd., London 1926 p. 197.

(3) It was first allowed to be imported for home consumption in 1819 and the leading Directors of the E.I.Company like Wigram, Astell, Pattison and Marjoribanks were personally interested in the trade. The Parliament, however, prohibited its import in 1824. Lushington to Liverpool 27 March 1824 Add. MSS. 38,411 ff. 233-36.

The private trade interest, which now dominated the Court,[1] had been trying since 1822 tobargain for a lower duty on sugar in return for their agreement to the proposed East India Trade Bill. Wigram, the Chairman, Sir Charles Forbes, a prominent private trader and Henry St. George Tucker, the famous financial adviser of Wellesley and Minto, fought for Indian sugar with great zeal. In a memorial Tucker showed how the duty on Indian sugar amounted to 200% on prime cost and how the injustice of the additional ten shillings per cwt. to protect West Indies sugar was aggravated still further by indiscriminate levying of another 5 shillings payable on clayed sugar that India seldom produced. While the new colony of Demerara profited by this protection, the old Indian possessions languished for return and the Company had to remit bullion at a loss.[2] "We deliberately tell our Asiatic subjects", he feelingly wrote to Huskisson, "that they must receive and consume whatever we are pleased to send them, but that, with some few exceptions, we will receive nothing from them in return."[3] More absurd, England expected a tribute and a remittance of private fortunes amounting to 4 millions annually which could only be paid in Indian produce which was thus excluded. It was unjust, impolitic and unprofitable "to place

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(1) "By 1826, there were 8 representatives of the Private Trade interest in the Direction; by 1831, of the 30 Directors (including the 6 out by rotation), 17 represented this interest." C.H. Philips, The East India Company 1784-1834 op.cit. p. 243.

(2) Henry St. George Tucker, Memorials of Indian Government, Ed. John William Kaye op.cit. "Indian Sugar" (1823).

(3) Tucker to Huskisson 27 March 1823, Add MSS. 38,744, ff 180-81.

restrictions on one colony or dependency, for the benefit of another."[1] Charles Grant joined Tucker in this appeal[2] and the private trade interest tried to raise the question in the parliament without effect, the Government supporting the West Indies planter interest. But it was due to this timely intervention that the protective additional duty was not further increased to 12s 6d, as had been determined in negotiations between Lord Liverpool and the planters at Fife House on 3 April 1821, on the ground of reduction of freight from India. When Charles Ellis complained that Huskisson was not proposing greater protection against Benares White Sugar, the latter firmly pointed out that he not only felt 10 shillings enough protection but that the extra 5 shillings should be altogether dropped.[3] "With my own conviction that the tendency of monopoly is over production, which often made it a curse instead of an advantage to those for whose benefit it is conferred....", Huskisson refused to comply and even warned the West Indies sugar interest which had "a most difficult game to play and I should fear, a losing one". In 1826 Huskisson followed the same compromise. The duty was reduced from £3. 3s per cwt. to £1. 10s. but the discriminatory ten shilling difference remained.

Trade depression in England: Unfortunately for the free traders Britain fell into the trough of an economic depression before the healthy effects

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(1) ibid. f. 185.
(2) Charles Grant to Huskisson 4 April 1823. ibid f. 209.
(3) Huskisson to Charles Ellis 31 March 1823 ibid. ff. 195-96 in reply to Charles Ellis to Huskisson 9 March 1823

of the new tariff laws could be felt. The industrial and commercial booms of 1824 and 1825 were based on cheap credit created by the provincial banks and on hazardous investments caused by the Government's policy of debt-conversion.(1) Inflation raised the price level and discouraged exports. The furious promotional activities in cotton manufacture at home and the South American projects ended in the stock exchange panic of September 1825. The price of cotton fell after a year-long attempt of Lancashire to corner the crop. The banks tried in haste to withdraw their advances to the marginal factories and, failing, stopped payments in October - November. The result was at once reflected in the fall of import indexes and a persistent and increasingly vehement demand for wider scope for exports. As Finlay testified before the Committee on Manufactures 1833, the cotton manufacture had greatly expanded during the boom years. Introduction of new technique, fall of price of machinery and competition with newly erected factories had effected large reduction of costs. Fall of prices necessitated an increase in the volume of exports to obtain the same value as before. This was true of the iron and shipping industries between 1826 and 1832 as Samuel Walker testified before the same Committee. To yield a moderate amount of profit required extraordinary demand for British

(1) Note the striking similarity with the situation in Bengal described above and below.

manufactures abroad which was not forthcoming. The depression continued therefore for years after 1826 with temporary recovery in certain sectors in 1827 and 1830. It is no wonder that under these circumstances the Company's remittance trade with India and monopoly of trade with China would be bitterly attacked by the manufacturing and the shipping interests.

The first indigo crisis: The first effect of the depression was the fall of the raw material prices.(1) We have seen earlier that by the twenties Bengal had the largest amount of trade with Britain and the fall of the prices of Bengal produce in Britain severely hit the Bengal economy. The blow came at a time when Bengal was experiencing a scarcity of capital, a stagnation of the country trade and a decline of trade with foreign Europe and America. On top of the difficulty of withdrawing capital from the marginal indigo factories to whom they had lent prodigally in 1824 and 1825,(2) the agency houses now faced the impossibility of realising proper returns for the produce raised by that capital. Private exports to Britain had an ominous fall in 1826 which stood out in marked contrast with the speculative rise of the previous year. Official value of indigo exports to U.K. fell from S.R. 1,29,45,734 to S.R. 90,08,479. Imports from America fell by more than two thirds and exports by more than three fourths. Though

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(1) Prices in the London Market

Articles	November 1824	June 1825	June 1826
Indigo per lb.	13.6s.	16.2s.	12.6s.
Cotton per lb.	9d.	16.5d.	7.4d.
Sugar per cwt.	56s.	62s.	51s.

(2) John Palmer to H. Trail 1 December 1826 Palmer Papers op.cit. vol. 104 pp. 254-55.

the China market looked up a little and opium exports showed an increase of 26 lakhs, little bullion came in return. Bullion import on private account was the lowest since 1815 - most of it was on public account, the tribute from Burma.[1] Scarcity of money in

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(1) CALCUTTA - WORLD (CUSTOMS HOUSE)
(The Company's and private trade)

	IMPORTS			EXPORTS		
	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1826-27	2,17,60,679	1,26,00,153	3,43,60,832	5,12,26,319	11,15,032	5,23,41,351

CALCUTTA - U.K.

The Company's Trade

	IMPORTS		EXPORTS	
	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1826-27	2,32,201	x	1,47,83,540	x

Private Trade

	IMPORTS		EXPORTS	
	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
	1,26,26,147	20,180	99,61,591	3,78,032

	CALCUTTA-FRANCE		CALCUTTA-U.S.		CALCUTTA-SOUTH AMERICA	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1825-26	12,04,899	16,09,331	36,92,871	26,14,785	8,29,155	1,53,608
1826-27	13,86,949	15,39,656	11,63,985	6,64,318	16,05,224	61,633

	CALCUTTA-LISBON		CALCUTTA-BRAZIL		CALCUTTA-MANILLA	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1825-26	44,612	5,21,299	1,64,765	1,14,142	77,064	2,79,834
1826-27	2,33,339	2,73,012	1,06,386	3,72,912	72,090	x

Footnote (1) continued from previous page

	CALCUTTA-CHINA		CALCUTTA-PENANG		CALCUTTA-JAVA	
	Imports	Exports	Imports	Exports	Imports	Exports
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1825-26	60,87,908	1,01,90,582	6,20,548	13,22,340	9,34,323	7,47,640
1826-27	35,55,012	1,38,14,821	10,15,953	10,40,556	15,15,304	8,82,194

	CALCUTTA-SUMATRA		CALCUTTA-GULFS		CALCUTTA-MALABAR	
	Imports	Exports	Imports	Exports	Imports	Exports
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1825-26	5,00,832	42,683	22,53,338	31,47,972	6,52,087	17,65,723
1826-27	1,55,419	1,84,386	11,56,276	21,86,501	9,90,505	19,77,815

	CALCUTTA-COROMANDEL		CALCUTTA-MAURITIUS		CALCUTTA-PEGU	
	Imports	Exports	Imports	Exports	Imports	Exports
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1825-26	53,04,873	16,76,158	3,10,902	4,12,332	2,56,686	12,80,211
1826-27	n9,57,127	8,95,823	5,66,180	5,49,029	62,52,771	14,44,125

Bengal Commercial Reports.

Calcutta was oppressive and the indigo bubble was about to burst.

Impervious to the actual situation in Bengal, the Court asked for a supply of two crores to meet obligations on the home treasury - to be raised by loans payable in Bengal.(1) The Government declared its inability in the prevailing condition of the money-market. "A million suddenly thrown in, or suddenly withdrawn by a loan operation here, will make a difference more sensible and immediate than many millions in London and the entire extent of capital that can be made available is so small that although by raising our terms we drive the merchants to offer much higher and depreciate all existing securities by creating in the holders a strong desire to convert fixed into available capital; an influence that acts with a pressure ruinously elastic, we yet should not much extend the funds we could by any means draw from the public."(2) The mercantile distress had been further heightened by the failure of indigo, crops and contraction of note issue by the Bank. Palmer & Co. on behalf of the Calcutta houses solicited not only for the postponement of repayment of the earlier loan but for additional accomodation.(3) The Government postponed the date. On 19 December some of the agency houses, who did not apply for relief last May, asked for a fresh issue of treasury notes.

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(1) Court to G.G. in C. (Terr. Fin) 14 June 1826.
(2) G.G. in C. to Court (Terr. Fin.) 16 November 1826.
(3) Palmer & Co to H.T. Prinsep 6 December 1826. Financial Letters and Enclosures Received 1826-27 I.O. Vol. 18. pp. 69-71.

The Government again came to their help by purchasing 40 lakhs of indigo on treasury bills.(1) Scarcity of cash began to affect the value of Government securities and interest bills. 5% loans showed a discount of Rs. 2 to 2½% and interest bills taken at 2s were sold for 1s.10d.(2) Large balances plagued the Salt Department and opium sale had to be postponed.

In this financial crisis when all efforts should have been made by the partners of the agency houses to keep up their credit, the exactly opposite was done. They began to withdraw a large portion of their capital to England. This had happened before. "No sooner does capital accumulate from successful trade or agency than it is carried home by the possessors in the same manner as the accumulated savings of your servants."(3) But the withdrawal was never sudden. It was spread out and often followed by re-investment. The rapid changes in the money-market, particularly in terms of the late loans, and the decline of trade in general no longer produced such reactions on the part of the retiring partners. The Palmers fared the worst - four of their partners withdrew their capital almost simultaneously - one Brownrigg alone taking 8 lakhs with him.(4) When the agency houses in their turn tried to realise their loans to the marginal concerns, the latter had to give up business for lack of funds. The

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(1) Accountant General to H.J.Prinsep 26 December 1826. He opposed any further aid in cash loans ibid pp. 80-85.
(2) G.G. in C. to Court (Terr.Fin.) 11 January 1827.
(3) G.G. in C. to Court (Terr. Fin.) 19 April 1827.
(4) <u>Alexander's East India Magazine</u> Vol. V. No. 31, pp. 581-592.

failure of the indigo crop in 1826 and decline of indigo prices in[1] London led to the bankruptcy of some of the biggest planters in Bengal like Davidson & Co. and Mercer & Co. which caused a further fall of price and a crisis of confidence among the native community to whom they owed heavily.[2] Many native houses failed in chain reaction[3]

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(1) Average produce of Bengal Indigo

Yr.	Produce (md.)	Price (per fact. md.) (S.R.)
1822	113,223	260
1823	78,848	280
1824	110,700	240
1825	143,231	220
1826	86,000	235

Halved produce meant loss of a crore of capital. See Note by T. Prinsep. Acting Secy. to Terr. Dept. 9 March 1827. Financial Bengal Letters and Enclosures Received. 1826-7. I.O.Vol. 18. p. 210.

(2) List of European Houses which failed in 1826 and 1827

Names	Year	Supposed to have failed for S.R.
Davidson & Co.	1826	65 lakhs
Mercer & Co.	1827	55 "
Burnett & Co	"	18 "
Mendeetta Unecarte & Co.	"	17 "
Brightman (Barretto & Co.)	"	2 "

ibid p. 215.

(3) List of native houses which failed

Name	Year	Supposed to have failed for S.R.
Anundmohun Paul and Soobulchunder Paul	1826	1,50,000
Radhamohun & Kissen Mohun Dull (Paul?)	"	1,00,000
Gungagobind Seal and Hur Gobind Seal	"	2,50,000
Bishumbur Pyn & Chunder Coomar Pyn	"	60,000
Ramnarain De and Madhub Churn De	1827	2,50,000
Muthooramohun Sein & Co	"	13,00,000
Subulchunder Nundy	"	50,000

ibid.

and a panic started in the bazar about the solvency of the agency houses.

The failure of the planters reacted on the six principal houses who were their largest creditors. Out of a total of two crores annually invested in Bengal indigo they contributed no less than 160 lakhs. They found great difficulty in realising their loans by sale of the mortgaged property (mostly factories) which was neither easily saleable nor would fetch reasonable prices. Moreover if at least the good concerns were to be kept going - advances had to be made in proper time for which no capital was forthcoming unless the Government afforded aid. Their promissory notes were worthless - being at a discount of 15 to 20%. They appealed, therefore, to the Board of Trade on 6 March 1827 to revive the earlier plan of advances to the indigo manufacturers on contract or actual consignment. H.T.Prinsep, in a Minute of 9 March 1827, noted with concern the possible effect of the failure of the agency houses on the savings of a large number of the Company's servants and, apprehending one failure would upset the applecart,[1] recommended an anticipated payment of the Deccan and the Bhurtpore prize money and advances on bond repayable by indigo. The Board of Trade in its Minute of 22 March referred to late French competition for Bengal indigo and advised monopolising the article on

(1) ibid pp. 220-21.

behalf of the Company which would help the agency houses at the same time. Ultimately the Government resolved to afford assistance on bonds but not as advances on contract for indigo which had been forbidden by the Court. Indigo might be accepted as a security for the loan which it granted to the extent of 20 lakhs.(1) The evil was, however, too deep-seated to be removed by such a temporary palliative. The agency houses were financially very unsound and open to the blasts from all quarters - commercial or financial. We would soon find Lord William Bentinck trying heroically to avert the second phase of this indigo crisis - only a year and a half later.

Though it did not hesitate to pull others' chestnuts out of the fire, the Bengal Government had its own worries. The expenses of the Burmese War went considerably beyond its close. There was very little surplus in Bengal in 1826-27 - S.R. 42,04,208 - and military charges stood at S.R. 5,54,55,794.(2) To supply an investment of S.R. 1,90,78,671 and to meet the demands of Bombay, Madras and China(3) the Government had to incur loan. Unwilling to compete with the distressed public the Government took recourse to political loans -

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(1) Resolution of G.G. in C. (Territorial Dept.) 26 March 1827 ibid pp. 285-300.

(2) India showed a deficit of S.R. 1,20,03,318. G.G. in C. to Court (Terr.Fin.) 26 June 1828.

(3)

Yr.	Excess of Supplies to Bombay	Excess of Supplies to Madras	Supplies to China
1825-26	S.R.1,25,36,430	S.R. 36,44,583	S.R. 14,89,860
1826-27	S.R. 84,97,956	S.R. 45,03,550	S.R. 11,26,088

Financial ~~Bengal~~ Letters and Enclosures Received. I.O. Vols. 18 and 20 (1) about 80 lakhs from Sindiah and 20 lakhs from Patiala.[1] Not only no provision was made to supply the Court with a crore in specie,[2] its restrictions on the proposed Charter of the Bengal Bank (despatch of 6 September 1826) were disobeyed as export of so much bullion and imposition of limitation on the Bank's note issue would aggravate mercantile distress.[3] It was only the Vizier's request to make his loans permanent that enabled the Government to send a meagre remittance of 34 lakhs on the Deccan Prize and debt account.[4]

Competition between the Company and private traders: The financial situation steadied a bit towards the end of 1827, following a mild recovery in England and China. Imports from the former reflected the urge of the cotton manufacturers for greater sale even at low prices - cotton twist and yarn alone rising to S.R. 18,42,110. Total exports went up by 83 lakhs - 53 lakhs to England.[5] But of the actual excess of

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(1) G.G. in C. to Court (Terr. Fin.) 19 July 1827.
(2) Court to G.G. in C. (Terr. Fin.) 14 June 1826.
(3) G.G. in C. to Court (Terr. Fin.) 18 October 1827. Holt Mackenzie opposed the export of capital and restrictions on the Bank very strongly. See Note on the Bank. 26 February 1827. Financial Bengal Letters and Enclosures Received. 1827-28 I.O. Vol. 19 pp. 260-300 Memorandum on export of specie. 27 June 1827 ibid pp. 29-67.
(4) G.G. in C. to Court (Terr. Fin.) 15 November 1827.

(5) CALCUTTA-WORLD (CUSTOMS HOUSE)
(The Company and private trade)

	IMPORTS			EXPORTS		
	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1827-28	2,79,97,967	1,42,01,609	4,21,99,176	5,95,27,104	44,80,987	6,40,08,091

(Continued)

Footnote (5) continued from previous page.

CALCUTTA - U.K.

The Company

	IMPORTS Merchandise S.R.	Treasure S.R.	EXPORTS Merchandise S.R.	Treasure S.R.
1827-28	3,48,312	x	1,75,37,150	34,58,720

Private Trade

	IMPORTS Merchandise S.R.	Treasure S.R.	EXPORTS Merchandise S.R.	Treasure S.R.
1827-28	1,86,43,444	73,620	1,28,83,130	7,06,979

	CALCUTTA-FRANCE Imports S.R.	Exports S.R.	CALCUTTA - U.S. Imports S.R.	Exports S.R.	CALCUTTA-BRAZIL Imports S.R.	Exports S.R.
1827-28	23,12,466	26,99,804	21,75,829	16,87,548	11,55,576	4,37,668

* Trade with Lisbon was below 2 lakhs, there were no exports to South America and it imported only S.R. 1,82,578. Trade with Hamburgh and Sweden were meagre.

	CALCUTTA - CHINA Imports S.R.	Exports S.R.	CALCUTTA-PENANG Imports S.R.	Exports S.R.	CALCUTTA-JAVA Imports S.R.	Exports S.R.
1827-28	85,88,695	1,46,90,342	5,34,803	11,38,076	9,92,709	7,75,023

* Trade with Manilla and Sumatra were meagre.

	CALCUTTA-GULFS Imports S.R.	Exports S.R.	CALCUTTA-COROMANDEL Imports S.R.	Exports S.R.	CALCUTTA-MALABAR Imports S.R.	Exports S.R.
1827-28	21,27,048	22,54,434	4,82,810	8,74,966	4,34,801	14,93,262

Bengal Commercial Reports.

exports - 457 lakhs - the Company claimed about 220 lakhs, mostly in silk and indigo purchased from the agency houses by way of relief. Though it no longer imported merchandise from England as, in the prevailing condition of trade, remittance of tribute itself had become difficult, the Court insisted on repayment of the territory's debt to commerce. The Government was thus forced more and more to compete with the private traders for Bengal goods, some times at loss. Plain cotton piece goods were no longer indented for. About ten lakhs in Cossimbazar silk cloths and Santipore coloured cottons were all that remained of its once famous trade in Indian fabrics.(1) But the value of raw silk indented for had risen from 73 lakhs (1825) to 84 lakhs (1827)(2) though it fetched only a remittance of 1s 9d in 1826.(3) Huskisson's reforms had opened the British market to foreign silk manufacture and the Spitalfield interest was now dependent on abundant and cheap supply of Bengal silk. Sugar was increased from 2500 tons (1825) to 4000 tons (1827) inspite of the preference to the West Indies product, cotton from 42,000 bales (1825) to 54,000 bales (1827).(4) To meet the demands on the home treasury indent for indigo was raised from an average of 40 lakhs in 1825 and 1826 to 60 lakhs in 1827.(5)

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(1) In 1826-27 value of imported cotton goods first exceeded that of exported cotton goods.
(2) Court to G.G. in C. (Comm[l]) 10 March 1824, 14 April 1824 15 February 1825, 30 March 1825 and 17 May 1826.
(3) Court to G.G. in C. (Comm[l] Separate) 7 February 1828.
(4) Court to G.G. in C. (Comm[l]) 20 June 1826.
(5) Secret Commercial Drafts 15 June 1825 and 14 February 1827. Secret Commercial Drafts to India 1815-1831 I.O.

Larger investments in indigo helped the agency houses but in silk did not. Their London correspondents under the leadership of Fletcher, Alexander & Co. had appealed to the Court against infringement of the spirit of the 1813 Charter Act and prayed for annulment of Regulation XXXI of 1793 which made a distinction in favour of the advances to the pykars etc. made by the Company and which was thoroughly exploited by the Commercial Residents to obtain preference for their own silk business. The private traders could make no headway against these odds. The Company's increasing demand in recent years had moreover raised the price of silk which had been further affected by the keen competition between neighbouring Commercial Residents to engross the produce of the locality at each other's cost.[1] The Court itself was roused from indifference by this extraordinary rise in costs and orders were sent to keep down prices to 1816 level and to remove the private traders' grievances.[2] The Government believed in free trade more than its Commercial servants and, strengthened by this order, denied them unrestrained expansion because of "the expediency of gradually withdrawing from such a system, as individual skill and capital may be found adequate to absorb our dead stock, and to admit of our coming by degrees into the market to purchase the articles of investment required by your Honourable Court in a fair and open

(1) The Company paid Rs. 10-7-7 per seer of silk in 1815, Rs. 14-11-6 in 1821 and Rs. 15-1-4 in 1825.

(2) Court to G.G. in C. (Comm[l]) 16 May 1827.

competition with the private merchants."(1) The silk districts were divided into three circles - one price was to rule in each. The Residents were strictly forbidden to poach on one another and new rules were made providing for summary process of recovery of balances accruing consequent to actual advances to the producers. This was in line with the facilities already granted to the planters in 1823, though not so severe.

Bengal finances in 1828: The Bengal finances had not recovered from the effects of war when Amherst left India in March 1828. The revenues from the Burmese cessions, the Ava subsidy and the larger opium sale of 1827-8 had provided some fillip but the charges were still very high.(2) Military expenditure was ~~still~~ over 4 crores. Bombay drew for about 1 crore and 44 lakhs and Madras for 53 lakhs. The deficiency of these Presidencies converted the Bengal surplus of S.R. 1,17,21,163 into an Indian deficit of S.R. 1,18,59,541.(3) To supply an investment of S.R. 2,14,26,811 and meet its other commitments Bengal had to incur a debt of S.R. 3,31,84,254 in 1827-28. The situation was very grave. The Government was forced to stiffen rather than relax the monopolies and to postpone liberalisation of its customs policy as suggested by Holt Mackenzie.

(1) G.G. in C. to Court (Comml Separate) 7 February 1828.

(2)

	Bengal revenues (S.R.)	Bengal Charges (S.R.)
1827-28	12,91,98,301	11,74,77,138.

(3) G.G. in C. to Court (Terr. Fin.) 22 September 1829.

While the Court expatiated on the high price of salt (1) and urged reconsideration of the Government's policy of fixing a revenue and then securing it irrespective of the rise of price, the Government pottered with the idea of paying a few annas more to the molunghees for extra produce and did not dare reorientate its salt monopoly in the consumer's interest. (2) It clung to the Malwa opium monopoly for a similar reason. It had taken the Malwa agency in its own hands since 1823 and, under the new policy of Holt Mackenzie, (3) had given the native chiefs an interest in the venture. High prices were given to the cultivators and heavy compensations to the native chiefs of Udaipur, Kotah etc. under treaties stipulated with them in 1824 for prohibiting cultivation of poppy in excess of the Company's need. Malcolm had protested against such a policy on political grounds as early as 1821 (4) and Metcalfe, then Resident of Delhi, joined him in opposition to the treaties "procured by an improper exertion of our irresistible influence." (5)

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(1) Court to G.G. in C. (Separate) 11 July 1827.

Year	Average price of Salt per 100 maunds. S.R. (whole figure)	Revenue raised (S.R.)
1822	418	2,04,75,412
1823	385	1,90,39,514
1824	352	1,81,91,301
1825	390	1,84,43,698
1826	419	1,87,35,733
1827	415	2,05,36,872

(2) G.G. in C. to Court (Separate) 31 May 1827.
(3) Holt Mackenzie's note 10 July 1823. Abstracts on Malwa opium, Third Report 1831, App. IV p. 28.
(4) Malcolm to Secretary Warden. 26 April 1821 ibid. p. 19
(5) ibid p.p. 30-31.

Inspite of these wise Counsels, the necessity of the State during the Burmese War dictated further treaties with Indore, Dhar etc. Metcalfe was not to be deflected by this argument which was enough for Amherst (1) and he, now a member of the Bengal Council in 1827, proposed an inquiry into the restrictive system in Rajpootana the urgency of which was increased by the news of disorders and even armed fracas between the Company's guards and the smugglers. Metcalfe boldly asserted that, if necessary, revenue should be sacrificed for higher ends. (2) The Court did not think the Malwa experiment successful either. (3) As Jaipur, Jodhpur and Gwalior refused to enter the system of treaties, there were obvious gaps for illicit transit; the high prices paid by the Company's agent only encouraged the production and smuggling, as rampant as before, had become violent. (4) The most telling argument against it, however, was its decreasing value to the revenue. Gross receipts of revenue from Malwa opium had risen from S.R. 44,80,486 in 1824-25 to S.R. 62,00,444 in 1827-28 but the general charges in the department had risen in that period (on both Bengal and Malwa account) from S.R. 33,83,582 to S.R. 56,74,606. By 1827 Malwa opium monopoly had lost

(1) Political Consultations 9 February 1827 No. 10.
(2) Political Consultations 21 March 1828 No. 75.
(3) Court to G.G. in C. (Separate) 11 July 1827.
(4) Sir Edward Colebrooke's reply to the Circular sent at Metcalfe's instance to the agents in Rajpootana and Malwa See G.G. in C. to Court (Separate) 7 July 1829.

its raison d'etre if it ever had any.

Lord William Bentinck: The need of the hour, therefore, was retrenchment and reduction of charges which threatened to engulf the Bengal revenue. So long as the charges continued to pile on there could not be any appreciable surplus to be applied either to nation-building activities like public works and education or to the amelioration of trade through liberal measures like the abolition of transit duties or to the liquidation of the territory's debt to commerce which plagued the home finances. With such an object in view Lord William Bentinck was selected by the Court as Amherst's successor.

Bentinck had served the Company before as the Governor of Madras from 1803 to 1807 when he was held responsible for approving or acquiescing in his official capacity the course of action that led to the Vellore Mutiny. The attitude of the Madras Government seemed to have been influenced by the misguided zeal of the Christian missionaries to rescue the Indian people from their social and religious prejudices by the spread of Christianity and the pattern of individual moral conduct it symbolised. Though Grant and Parry, the Evangelist group in the Court, fought for him, the City interest considered the Policy bad for trade and political stability and Dundas put their case well in a laconic sentence -

"No man has the right to make another happy against his will."

Bentinck was recalled. After a fairly long service in the Napoleonic Wars he joined the Whig party which might have instilled in him at this stage its free trade leanings. He offered himself as a candidate for the Governor Generalship at Hastings's resignation but Liverpool's opposition on party reasons baulked him of this opportunity. He had to wait till, on Liverpool's retirement, Canning became the Prime Minister and Amherst was found wanting for the task ahead.

Indian public opinion of a later day has drawn an aura round the head of Bentinck who is assumed to have come to India as a great revolutionary reformer. Peace, reform, retrenchment, freedom of contract, freedom of expression, opportunities of education and public service - the demands of the latter day middle class - seemed to find in him the symbol of a promise subsequently belied and a hope deliberately frustrated. On the whole, however, Bentinck was not a person to mould circumstances to his will. The ground had been thoroughly prepared before him. In social reforms and education a strong impulse came from the educated middle class of Bengal, led by Rammohun Ray, in employment of native agency and liberalisation of customs - from the Court of Directors. In one vital matter Bentinck took his own line. It was on the Europeans' right to own land and to enter into free contracts with the native producers like the weavers, the silk-reelers, the mulberry planters and indigo-growers -

which was dictated by the exigencies of private British capital in India. He used the circumstances to the best known interest of the private British capitalist which indirectly helped the economic development of India and created opportunities of education, employment and self-expression for the emergent Indian middle class. He could vindicate himself against the earlier disgrace of recall and establish his prestige not so much by observing zealous loyalty to the Company's commercial interest but by abjuring it, not so much by continuing the Company's neutralism in social and religious matters but by advocating reforms, not so much by maintaining the Company's paternalistic attitude towards economic problems but by applying the utilitarian calculus.

Financial reforms: The first task of Bentinck was to put the Indian finances on the basis of 1823-24 and it appeared to be a Herculean task. The average annual deficiency of the Indian revenue, after defraying all charges abroad and at home, amounted to £2,878,031 in five years ending 1828-29.(1) The gross charges in four years between 1824 and 1827 constituted two-thirds of the total charges from 1814. Average expenditure had increased in these years by

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(1)

Average annual deficiency in five years ending	1814-15	-	£134,662
"	1818-19	-	£736,853
(Nepal, Pindari, Mahratha Wars)			
"	1823-24	-	£27,531
"	1828-29	-	£2,878,031
(Burma War, Bharatpur Campaign)			

£4,529,494 compared to 1823, by £2,695,749 in the military department alone. An analysis of the accounts between 1814 and 1828 showed that Bengal's surplus of £28,374,534 had been wiped out, £4,923,021 of surplus commercial profits consumed and £14,642,431 raised by loans.[1]

Bentinck set up the Civil and Military Finance Committees within four months of taking up office to go through the Charges of the Government in detail and suggest reductions.[2] In this he was not only supported by the Court but by the new President of the Board of Control, Lord Ellenborough, who was even more impatient for reasons of his own. "I have added a paragraph (to the despatch to India)" he wrote in his diary, "which in effect tells the Governor General if he will not make reduction some one else shall."[3] While the Duke of Wellington planned in 1828-29 to renew the Charter to the Company on the basis of 1813, for "The Duke is much swayed by early recollections" and "He is beside very desirous of having the City of London in his hands",[4] Ellenborough wanted to relieve the Company of the Indian administration and transfer it to the Crown. "We have a moral duty to perform to the people of India"[5] he wrote to Bentinck in 1829 and was sure that, in transferring India to the Crown,

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(1) See Report of the Select Committee of the House of Commons 1832.
(2) Bentinck to Astell 17 October 1828 Bentinck Papers, Nottingham University, [redacted]
(3) Ellenborough's Diary edited by Lord Colchester 26 November 1828, Vol. I. p. 265.
(4) ibid. 19 November 1829, Vol. II. pp. 137-38.
(5) Ellenborough to Bentinck 19 May 1829, Bentinck Papers op.cit.

"I shall confer a great benefit upon India and effect the measure which is most likely to retain for England the possession of India." (1) Consideration of trade was not important as India trade had become unprofitable (2) and the China monopoly was "a mode of enabling the Company to govern India by a tax levied on a necessary of life in England" (4) by which it had evaded loss on direct remittance from India. (5) Important members in the Cabinet like Peel were opposed to the monopoly and the feeling in the mercantile community was decidedly hostile. (6) With all this in mind and convinced as ever of his own rightness, Ellenborough tried to hasten the reduction of the charges which alone could render India independent of direct or indirect assistance from England. Ellenborough was an ambitious vainglorious man who had some insight and great efficiency but he kept in mind several alternatives for India. The first preference was for the Crown Government, the second, for the Company's administration without the China monopoly, if self-sufficiency without monopoly was possible and the last, for the renewal of the Charter on the old basis but to impart to the Company's rule "the efficiency, vigour and celerity of King's government". Though he fell between

(1) Ellenborough Diary op.cit 13 November 1829 Vol. II p. 131.
(2) Colchester Papers, Ellenborough Diary P.R.O. 30/9. Vol. 29, 9 August 1828. Loss on India trade in last 6 years - £245,761, profit on China trade in last 6 yrs. - £1,011,584.
(3) Ellenborough Diary op.cit. 1 August 1828 Vol. I p. 185.
(4) Colchester Papers, Ellanborough Diary op.cit 27 October 1829.
(5) Ellenborough Diary op.cit. 23 July 1829 Vol. II p. 74.

these alternatives, he never forgot to prod the Indian Governments to increase revenue by diminishing taxation which made India poor and a bad customer for British manufactures.(1)

Before Bentinck had the foretaste of his idea of efficiency, vigour and celerity of the King's Government in ever-flowing despatches on experiments in cotton culture, encouragement of tannery, production of stores, introduction of steam-navigation etc., the Civil and Military Finance Committees had done good work. By a resolution of the Commercial Department 16 June 1829 the system of commission was abolished. Half batta measures were pushed through against strong opposition of the military servants.(2) Fixed establishment charges were reduced by employment of natives in subordinate ranks. The Court ordered further reduction by the end of 1829.(3) Pruning and paring went on up to 1830-31 and the general progress was remarkable in five years between 1828-29 and 1832-33. Even though in the last two years the fall in land, salt, customs and opium revenue had brought down the surplus and the charges had begun to rise again, the public had benefited from the reduction of taxes.(4)

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(1) Ellenborough to Bentinck 19 May 1829 and 2 January 1830. Bentinck Papers op.cit.
(2) Ravenshaw to Bentinck 1 February 1830 Bentinck Papers op.cit.
(3) Court to G.G. in C. (Terr. Fin) 12 December 1829.
(4)

	Total Bengal Charges	Military Charges	Bengal Surplus	Bengal Investment	Supplies to China
	S.R.	S.R.	S.R.	S.R.	S.R.
1828-29	10,89,12,020	4,09,73,774	2,12,71,843	1,63,42,304	69,16,999
1829-30	9,65,93,972	3,65,93,272	2,43,05,360	1,89,06,902	6,77,987
1830-31	9,75,78,435	3,41,66,162	2,49,34,140	1,76,76,842	88,14,118
1831-32	10,89,47,452	3,45,68,810	2,09,96,509	1,14,03,296	84,51,613
1832-33	11,21,46,990	3,63,24,900	1,75,57,517	1,51,47,143	74,32,698

(Continued)

Footnote (4) continued from previous page.

INDIAN SURPLUS

	S.R.		S.R.		S.R.
1828-29	1,13,97,923	1830-31	1,51,10,497	1832-33	89,44,824
1829-30	1,07,05,348	1831-32	1,44,89,443		

Financial Letters and Enclosures Received. I.O.

In such an atmosphere no revolutionary revenue policy could emerge. Transit duties could not be abandoned (1) and the Court's instructions regarding salt were not obeyed. On the contrary Regulation XVI of 1829 enhanced the duty on Western salt. (2) But the Malwa opium policy underwent a complete change. The Company's monopoly of Malwa opium was greatly resented by the private traders of Bombay and Calcutta. The opening up of the east coast of China and extensive smuggling at Lintin had increased the demand for opium. Morse puts the imports of Malwa opium into China at an average of 5,722 chests between 1824 and 1827. In 1828 the imports suddenly leapt up to 7,092 chests and in 1829 to 7,972. (3) The Company's monopoly not only stood between the private traders and illicit profits but deprived the countryships of badly needed freight. The Government, however, was not only persuaded by the economic interests of the private traders. Metcalfe's arguments had been amply corroborated by reports from the political officers of Malwa and Rajpootana. On 19 June 1829 the Governor General in Council in the Political Department resolved on the political inexpediency of the Malwa monopoly. Treaties with the native princes were abrogated, attempts to restrict production of opium given up and free transit to Bombay was allowed under passes to be sold at Rs. 200 per chest.

(1) G.G. in C. to Court (Separate) 7 July 1829.
(2) G.G. in C. to Court (Terr. Fin.) 8 December 1829.
(3) Morse The Chronicles of the East India Company trading to China 1635-1834 Vol. IV pp. 383, 183 and 197.

For one year more the Government continued purchase in the open market but purchase, being contradictory to the pass system, was given up in 1830.(1) To compensate for the loss of revenue, opium production of Bengal was increased by an advance of price to the poppy-growers (of eight annas only) and extended cultivation.(2)

Employment of native agency: Retrenchment, employment of native agency and introduction of Western education hang together. The Court had begun to consider wider employment of native agency ever since an education policy was forced on it by the Charter of 1813. The problem of education became closely knit with the problem of providing trained Indians for Government service - made acute by the prodigious increase of charges during Amherst's Governor Generalship. In March 1825 the Court asked the Bengal Government to give preference to Indians possessing suitable educational certificates for appointment in law-courts.(3) A year later it declared "the first object of improved education should be to prepare a body of individuals for discharging public duties."(4) By the time Bentinck arrived in India, it had become imperative that the lower cadres of the civil service should be filled by Indians. Astell asserted that towards the desirable object of solvency "nothing can more conduce than the employment of native agency in

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(1) G.G. in C. to Court (Separate) 3 August 1830.
(2) G.G. in C. to Court (Separate) 5 February 1831.
(3) Court to G.G. in C. (Public) 9 March 1825.
(4) Court to G.G. in C. (Public) 5 September 1825.

preference to the expensive services of Europeans."[(1)] Ellenborough belittled the risk of failure as the natives "without being really responsible....do practically a great deal now through the weak or corrupt or indolent Europeans they serve"... and was convinced "we cannot govern India financially without the change of system."[(2)] Bentinck reciprocated the feeling..."we cannot govern the country without them. The most we can attempt is controul, and this, I lament to remark is very inefficient."[(3)] Once the home and the Indian Governments were united on the policy, they could not but take the next step of selecting English as the medium of higher education for which there was already an articulate demand in the country led by Rammohun Ray, Radhakanta Deb, Ramkamal Sen and the Tagores and symbolised in the Hindu College established in 1816, the Calcutta School Book Society established in 1817 and the Calcutta School Society established in 1818.[(4)] The orientalists were fighting a lost battle from the beginning. Hope of preferments in the Government service, if not the intellectual aspiration for higher liberal education, won the day. The scope of service, however, was very limited. The highest rank an educated Indian could attain was that of the Principal Sudder Aumeen which carried a salary of less than 500 rupees a month.

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(1) Astell to Bentinck. 20 January 1829 Bentinck Papers op.cit.
(2) Ellenborough Political Diary op.cit. 16 December 1829 Vol. II p. 148.
(3) Bentinck to Astell 8 June 1829, Bentinck Papers op.cit.
(4) The Samachar Darpan 11 July 1818 (28 Asarh 1225), 21 October 1820 (6 Kartick 1227), 8 March 1823 (26 Falgun 1229). See "Rammohun Ray as an Educational Pioneer" Brajendranath Bandyopadhyaya, Journal of Bihar & Orissa Research Society Vol. XVI Part II.

Yet Bentinck had reversed the policy of Cornwallis, reflecting the prejudices of an earlier period and now incompatible with the financial stability of the Government. By recognising the Indians' need for economic opportunities and no less legitimate need for self-respect Bentinck forged the second link to the chain of loyalty while Cornwallis had forged the first by the Permanent Settlement. The middle class of Bengal had three wings from the thirties - the first based on land, the second on professions and the third on public service. As the opportunities in the first were dminishing and those in the second were hardly developed, with trade and industry in foreign hands, the Bengalee middle class turned more and more to public service. It did not possess or rather lost its root in indigenous commerce and industry which made the middle class in the West so powerful and progressive. While one half of it looked back to a mythical India - an India of orthodox traditions and static outlook, of serried social stratification and inhibited individual action, the other half could not look hopefully to a creative future. It could not make a free and healthy response to the challenge of Western thought and life. It was weak and vacillating. It was romantic and escapist. It was torn between the old and the new - moved sometimes into agressive self-assertion and sometimes into abject self-pity.

Rammohun Roy: Only a giant like Rammohun Roy could accept what was best in the West and still be his own dignified self. He fully realised the implications of the challenge and calmly prepared for a rational response. He did not scamper hysterically into the comfortable assurance of the old shell, nor did he surrender the ancestral values for the superficial glamour of the new. Their pristine verity had been encrusted with the prejudice of centuries and once he made sure what they really were, he manfully want out to meet the West as an equal.

It was not for all to soar like him into the thin air of metaphysics and still remember the material basis which supported the ethereal flight. That metaphysics Christianity could not provide, though it could help to clarify, but that material basis Western technology and science alone offered. Yet appalling ignorance, religious and social abuses (like the caste-system) and adverse economic conditions hampered their operation. Having laid down the premises, Rammohun did not hesitate to espouse the cause of reforms through the Brahmo Samaj and the cause of education in natural science through the medium of English. A zemindar himself, he did not falter in denouncing the Permanent Settlement before the Select Committee of the House of Commons. Happy over Bentinck's policy to widen the scope of native employment, he did not want the Indian middle class to be lost to the world of enterprize. He welcomed Western education because it held the key to power over nature; similarly he welcomed the introduction of European skill and capital which could apply that power to the benefit of India and, more, to teach the Indians to apply it. He dreamt of a new middle class emerging out of that milieu, ready to take its share in the creation and fulfilment of a progressive economy, Unfortunately he could not foresee that natural science might one day destroy his Absolute Brahma without putting anything in His place and that foreign capital, if not restrained by a national Government, might take more than it gave. But no man could claim the omniscience of the gods and even today his synthesis, less sure and more vulnerable than before, has not been superseded by a better one.

Bentinck appreciated the utilitarian part of this synthesis of the Vedanta and Bentham, and when the Rajah declared his war against the custom of the Suttee, Bentinck did not refrain from lending the whole weight of his Government on the reformers' side. Though it was abominable and inhuman, the Suttee could not have roused such a passionate controversy and protracted struggle unless something more importnat was involved - which was the Company's traditional policy of neutralism in social and religious matters. It was one of many abuses - some even much more deep-rooted and harmful - but it was spectacular. The image of the burning widow was the most persuasive argument for its abolition. It could be most tellingly used to focus the attention of the Government on the crying need for a positive approach towards social reforms and the very apprehension of its ability to do so made the other side fight bitterly. The orthodox defended an apparently inhuman practice not because of any natural perversity but because defeat might open the floodgate of further positive actions on the part of the State which would shake the whole social fabric and endanger the vested interests. Bentinck decided for social reform because such a decision was implicit in the situation. The Government could not interfere with the internal administration of the native states or with trade and industry while refraining from interference with flagrant social abuses, specially when the initiative came from an influential section of the subjects which it considered as a political ally. The principle of interference, long recognised in the economic and lately recognised in the political field, logically claimed extension to the social sphere as well.

The second indigo crisis: In fact Bentinck had to interfere in economic matters before he had finished the retrenchment business and almost simultaneously with the abolition of the Suttee. The second indigo-crisis began in 1830 and threatened to ruin not only the large amount of private British capital engaged in its production but the trade and industry of Bengal which were now dependent on that capital. For five years ending 1828-29 indigo was being exported on an annual average of 1,15,846 factory maunds - which was much above the level of European consumption. About thirty to forty lakhs of bighas of land had been put under indigo.[1] Prices were very high, averaging S.R. 264 per factory maund,[2] because both the Company and the free traders, specially the latter, sent their remittance chiefly in indigo. As the supply was not based on real demand, any marked change in the London prices was bound to affect production disproportionately - which happened in 1826 causing failure of many indigo concerns in that and the next year.

The Company's growing silk investments prevented any diversion of private capital to that line;[3] cotton trade with Britain was gone, though its price in the Indian market had come down from Rs. 21 in 1821 to Rs. 12-8. per bazar maund; and the application of capital to sugar could not appreciably increase in view of the discrimination against it. So indigo would have to be relied on. But who were to supply the circulating capital to the planters and manufacturers? The agency houses, hard hit by the crisis of 1826-27, had little capital to spare and had stopped advances to the factories which could not make indigo under Rs. 120.[4] The only hope lay in

(1) Return of the Judicial Department 1 June 1830. App. V. S.C.H.C. 1832 No. 60 and No. 73. James Mill gave a return on 6 August 1832 which puts the total number of indigo factories in the Bengal Presidency at 899, of European owners at 119 and of European assistants at 354. ibid No. 75.

(2) Alexander's East India Magazine Vol. VI p. 275.

(3) The Company's exports of raw silk -

Year.	Bales
1826	6141
1827	6264
1828	7014

(4) Alexander's East India Magazine Vol. III p. 209.

the introduction of fresh European capital the conditions for which, however, were wanting.

European landownership: The Government as well as the private capitalists were thus confronted with the necessity of facilitating the introduction of European capital in the indigo business - not only in the interest of private but of public remittance. At one end of the chain of interest stood the Company's servants - at the other end the ryots. The servants lent to the agency houses who lent to the planters who again used the capital in advances to the ryots. The impecunious ryot was the base of the indigo pyramid and the capitalists blamed him for all the troubles.(1) His "intrigue, chicanery and fraud" (words used by Bentinck himself) had worked on the legal incapacity of the planter to own land and, therefore, to enforce his lien on the article produced with his capital. The planter saw indigo, sown with his advances, sold to a rival who staked a similar claim on it. He was confronted in the Court with the ryot's assertion that the land was not sown with his advances or that he had forced the ryot to sow indigo on land traditionally used for staple crops. He was prevented from expanding his concerns by the zemindars who had entered into indigo speculation on a large scale. Sometimes the servant, in whose name he had been forced to take the lease, stood out as the real owner. His capital was unsafe till he secured the right of ownership and the right of enforcing his contractual claim on the ryot against the zemindar or his scheming European rival. Law

(1) See John Crawfurd Letters from British Settlers in the Interior of India. London 1831.

gave little and never any speedy redress and though a regulation of 1823 enabled him to set police on the crop and realise its value after a summary suit - it gave him no right to claim specific performance. He did not deny that in such trying circumstances he took law into his own hands, sometimes in a violent manner. But he was not satisfied with such a precarious method when rise of land values had called for a larger investment of capital than before.

At the beginning of 1829 the principal agency houses had appealed to the Government for an extension of its Resolution of 7 May 1824 to all cash crops. That would enable the indigo planters to take long leases in their own names (like the planters of coffee to whom this Resolution applied) and thus avoid a loss of 25% occasioned by the constant troubles and expenses over enforcing indigo contracts.(1) By a resolution in the Revenue Department 17 February 1829 the Government agreed to do so on the ground of failure of all restrictions on the occupancy of land by the Europeans through "a recourse to fiction and concealment" as also on the ground of facilitating production and reducing the costs of Indian exports. Metcalfe considered withdrawal of these restrictions necessary for the prosperity of the Empire and progressive increase of revenue, "I am further convinced that our possessions of India must always be precarious, unless we take root."(2) The Governor General was more

(1) Memorial from Principal Merchants at Calcutta to G.G. in C. 28 January 1829 App. V S.C.H.C. 1832 No.43, See Bangaduta, 13 June 1829 (1 Asarh, 1226).

(2) Minute of Metcalfe 19 February 1829, App. V. S.C.H.C. 1832, No. 45.

elaborate in his Minute of 30 May 1829. He justified the resolution on economic as well as moral grounds. The annihilation of the cotton manufacture had been "productive of so much present suffering to numerous classes in India, and hardly to be paralleled in the history of commerce." To compensate for that loss the vast productive powers of India should be encouraged. Poverty, ignorance, demoralization, corruption of the native officers, oppression of the zemindars and heavy rural indebtedness had prevented this and forced agriculture to remain primitive and commerce spiritless. Not a single article, excepting those handled by the Europeans, was fit for the international market. Of these again indigo alone remained as the means of effecting returns to England and it invited more European skill and capital. It would be helpful to both Britain and India. British capital would obtain cheap labour while presence of the British capitalist in the country side would save the poor ryot from the usurious interest of the native money-lenders and the whimsical oppression of the native zemindars who were often the same. The rural folk would borrow in the arts and knowledge of England as well as in the moral integrity of the Englishman. He not only denied oppression by the planters but asserted that "...every factory is in its degree the centre of a circle of improvement." (1)

(1) Minute of Governor General 30 May 1829. App. V S.C.H.C. 1832, No. 46.

He did not forget to clinch his argument with the utilitarian doctrine of enlightened self interest which would be enough safeguard against all possible abuses.

Bentinck's measure roused a host of hostile critics in the Court who were supported by Ellenborough. The old guards were against any innovation at a time of general retrenchment and army disaffection, particularly when it smacked of colonization. "Your colonization minute", wrote Ravenshaw, "created much alarm at first - and even now many regret that you should have adopted a course of argument so much in accordance with the feeling of the free merchants in India and the advocates for annihilating the Company here...."(1) "We must abrogate the Regulation without loss of time "wrote Ellenborough and the Duke, when informed, said "Lord Bentinck was not to be trusted and we should be obliged to recall him."(2) There was opposition from the manufacturing interest who saw in colonization the spectre of a second Lancashire on the bank of the Ganges which could beat the original with cheap Indian labour and raw material.(3) The Court reprimanded Bentinck for deciding such an important matter without previous reference, considered the 1824 Resolution on coffee as no precedent and criticised the omission in the new

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(1) Ravenshaw to Bentinck, 8 August 1829. Bentinck Papers op.cit.
(2) Ellenborough's Political Diary op.cit. 27 June 1829 Vol. II p. 59, 4 December 1829, ibid p. 141.
(3) Auber to Bentinck 6 June 1829, Bentinck Papers op.cit.

regulations of those sections which enabled the Government to cancel leases for an undesirable abuse of privilege. Length of leases was to be regulated according to the nature of cultivation, leases were never to be granted beyond 21 years without the Court's approval and the security clauses were to be reinserted. The Court referred to a series of letters on oppression and violence committed by the planters which were not yet repressed and ordered a full review of the conduct of the Bengal planters by the Collectors and the Commissioners.[1]

Bentinck recorded another Minute in reply on 8 December 1829. If the Court desired the development of the raw material resources of India for the use of the British manufacture, which it repeatedly did in respect of silk and cotton,[2] he saw no other way than according ownership of land to the Europeans. The Resolution of 1824 had been extended to cotton and sugar cane before Bentinck's arrival[3] and had not produced any evil effects. Important safeguards had been retained but if the clauses referred to by the Court be included, they would nullify the the spirit of the privilege by requiring harsh and unnecessary penal measures. The Court need not apprehend any great extension of the European zemindary system - there were only five applicants for the privilege - nor any clash

(1) Court to G.G. in C. (Revenue) 8 July 1829 See also Court to G.G. in C. (Judicial) 6 August 1828.
(2) Court to G.G. in C. (Comm^{l}) 18 February 1829.
(3) G.G. in C. to Court (Revenue) 26 June 1828.

with the native interests which followed before from the planters' dubious title, specially when "...many indeed of the wealthiest and most influential are of our own creation" and, as the Revenue letter of 1 January 1830 explained, "who or whose families acquired wealth, in close communication with the Europeans, or in the service of the Government under European Supervisors." Charles Metcalfe and W.B. Bayley fully concurred with the Governor General on the great moral, political and economic benefits of European ownership of land.

Fall of the Palmers: Almost simultaneously with the despatch of these sentiments to England[(1)] a storm burst over the Calcutta agency houses. The redoubtable Palmer & Co. failed on 4 January, 1830. It had been tottering for some time under heavy withdrawals by its retiring partners and forced to close its private bank. When the house of Cockerell and Trail, once its London head office and now its biggest creditor, demanded immediate liquidation of half of the debt and security for the rest - an open manifestation of distrust - a run began. It had little fluid capital - most of its funds having been locked in indigo factories or improvident loans to junior civil and military servants. When John Palmer's appeal for 30 lakhs from the other five houses failed to bring response except from Alexander & Co. and Fergusson & Co., the Palmers closed their

(1) G.G. in C. to Court (Revenue) 1 January 1830.

doors.[1] Circumstances were too much for them though they obtained, according to the Court, more than 2/5ths of the total sums advanced by the Government for relief of the agency houses since 1812-13.[2] The consequent distress was universal and panic unparalleled. The remaining houses foolishly abstained from closing up ranks and giving up the losing concerns or taking their constituents into confidence. "The intelligence of Palmer's failure, with all its direful consequences, was suffered to work its way on the public mind, accompanied by a train of unfounded rumours and conjectures...."[3] Even the Europeans creditors began to withdraw in haste. After four months of unequal struggle the agency houses appealed again to the Government for help on securities of lands and houses, factories and crops.[4]

The Government took the responsibility for relief against the positive orders of the Court.[5] On Holt Mackenzie's review of their cases, which showed unprecedented withdrawals,[6] Bentinck justified his measures in an able Minute. The trade of Bengal was largely concentrated in the hands of six agency houses. In 1829

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(1) Net asset 1 crore 53 lakhs.
Net debt $2\frac{1}{2}$ crores. See Alexander's East India Magazine. September 1831. pp. 312-14.

(2) Court to G.G. in C. (Terr. Fin.) 20 July 1831.

(3) Alexander's East India Magazine Vol. V, No. 31, p. 585.

(4) Letter of merchants to Holt Mackenzie 11 May 1830. Financial ~~Bengal~~ Letters etc. Recd. 1829-30. I.O. Vol. 23 pp. 583-589 also see G.G. in C. to Court (Terr. Fin.) 14 May 1830.

(5) Court to G.G. in C. (Revenue) 2 April 1828.

(6) Report of 14 May 1830. Financial ~~Bengal~~ Letters and Enclosures Received 1829-30 I.O. Vol. 23 pp. 590-598.

1,08,603 maunds of indigo out of a total produce of 1,49,285 maunds were consigned to them. They controlled lack and rum trade entirely, owned 59 out of 91 vessels in Calcutta, several steamers, Chief docks, the only textile mill at Fort Glocester, Collieries at Burdwan and agricultural and salt projects in Saugor Island. With the exception of the Strand Mills (flour and rice) and the Government concerns all schemes of manufacture and agriculture were financed by these six houses. They got their funds from the Company's servants. Their fall would thus not only cause the disruption of public revenue and dislocation of trade and industry of Bengal but spell ruin to the Company's servants. Bentinck treated it as a national emergency - "an overwhelming necessity which in my judgment could not have been disregarded without the sacrifice of the best interest of India."[1] He laid the blame squarely on the Company's monopoly which denied free access to the British subjects, debarred them from purchasing land, excluded them from public employment and restricted the Company's servants in investing their capital..."....It could not have been expected," he wrote in the Minute, "that British capital should abound, or that British capital not enjoying any share of authority or power should remain in the country an hour longer than was necessary to accumulate a fortune proportioned to their (real or fancied) interests..."[2] The commerce

(1) Bentinck to Astell 4 June 1830.Bentinck Papers op.cit.
(2) Minute of Governor General 14 May 1830. Financial Bengal Letters and Enclosures Received 1829. I.O. Vol. 23 pp. 599-610.

of India should rest on real capital specially in those branches which needed fixed stock and such capital would not be forthcoming unless its security be guaranteed by a grant of ownership of land to the European investors. The favourable returns of the Collectors proved Bentinck right about the indigo-planters and took away the only possible argument against such a policy. As an immediate relief the Government resolved to lend 50 lakhs in treasury notes at 6% on house property and indigo-crop and to purchase private bills on England. The Court's orders restricting the Bank of Bengal's note-issue and note-bullion ratio were not carried out.(1)

Trade depression: Had trade continued prosperous the scarcity of capital would not have been so deeply felt. Imports and exports fell in 1828-29 and though there was a small improvement next year, further depression in England intervened and trade with Britain, France and China declined largely. Cotton goods import from Britain was over done in 1828, rising from S.R. 49,25,479 in 1826-27 to S.R. 72,64,668. Twist and yarn from Britain almost doubled - rising from S.R. 18,42,110 to S.R. 32,88,509. There was as usual a considerable increase in wines. But the export trade was the crux of the situation. Cotton piece goods continued on the downward grade - the South East Asian market was now lost to the Indian manufacture and even the newly added Burma market was flooded with the re-exported British cottons. Indigo registered the largest

(1) G.G. in C. to Court (Terr. Fin.) 18 May 1830.

fall - from S.R. 1,91,71,606 in 1827-28 to S.R. 1,21,92,642. Sugar and silk fared better but they were in the Company's hands. In 1829-30 import of British piece goods shrank to S.R. 49,57,095, of British twist and yarn to S.R. 14,37,121 and the British metal import was stagnant.(1) Though America tried hard to push her coarse cottons, trade with France declined. Indigo exports were higher but silk exports were down. Very little of cotton was now went to Britain. The whole country trade was suffering from the crisis of the agency houses and fall of demand for China goods in India. China sugar and tutenague had been replaced by Java sugar and German Spelter. Decline of freight-rate on the return voyage from China affected shipping. Only opium improved a little. Trade with Java was trifling and with the Coasts and the Gulfs stagnant since 1826. Penang and Malacca only prospered due to the growing importance of Singapore. The Company was not getting much from its lately increased trade. In 1827 it had bought S.R. 71,67,334 of indigo which gave a remittance of 1s.9.5d.,(2) in 1828 indigo gave only 1s $2\frac{1}{2}$d.(3) Silk fetched 1s 11d in 1829.(4)

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(1) British imports into Calcutta (Quantity)

Year	Cotton Yarn (md)	Cotton twist (md)	Mule twist (md)	Iron (md)	Lead (md)	Copper (md)	Spelter (md)
1826-27	1794	8626	12,725	1,21,835	19,623	43,146	1,62,319
1828-29	5175	17,704	19,120	1,71,221	28,241	44,076	89,947
1829-30	1799	11,636	8,488	1,18,530	11,527	59,196	81,866

Bengal Commercial Reports 1826-29.

(2) Secret Commercial Drafts - 9 June 1829.
(3) Secret Commercial Drafts - 13 July 1830.
(4) App. I. Third Report. S.C.H.C. 1831.

The Court was forced to ask Bengal to prefer private bills to remittance through trade but the indigo crisis had persuaded the Government to try both means in 1829.(1) Unless there was a revival of trade and the Company gave up remittance in goods, the agency houses seemed doomed.(2)

Relief of the indigo planters: One of the ways to help the private traders was to take off the weight of the Company's trade as far as possible - another was to throw cash into the market.(3)

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(1) It bought S.R. 71,48,754 worth of indigo besides Private bills. See G.G. in C. to Court (Terr. Fin.) 5 June 1830.

(2) CALCUTTA - WORLD (CUSTOMS HOUSE)
(Company and Private Trade)

	IMPORTS			EXPORTS		
	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1828-29	3,01,92,732	69,02,374	3,70,95,106	5,02,81,959	17,63,193	5,20,45,152
1829-30	2,37,67,512	1,09,18,622	3,46,86,134	5,50,46,563	16,40,322	5,66,86,885

CALCUTTA - U.K.

The Company

	IMPORTS		EXPORTS	
	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1828-29	3,98,830	x	1,41,26,165	x
1829-30	1,17,260	x	1,74,53,697	x

Private Trade

	IMPORTS		EXPORTS	
	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1828-29	2,17,82,877	2,48,101	1,16,40,299	12,41,443
1829-30	1,59,77,037	x	1,10,62,436	12,26,294

	CALCUTTA-FRANCE		CALCUTTA-U.S.		CALCUTTA-CHINA	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1828-29	22,04,250	23,87,107	20,21,096	16,01,632	30,43,828	97,69,876
1829-30	14,66,573	23,97,986	18,37,155	17,61,787	66,37,763	1,17,18,274

Footnote (2) continued from previous page.

	CALCUTTA-PENANG		CALCUTTA-COROMANDEL		CALCUTTA-MALABAR	
	Imports	Exports	Imports	Exports	Imports	Exports
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1827-28	5,34,803	11,38,076	4,82,810	8,74,966	4,34,801	14,93,262
1828-29	16,48,760	21,68,333	5,31,130	6,51,227	7,98,641	17,09,272
1829-30	23,63,568	33,21,634	13,12,874	8,18,135	6,64,585	15,95,002

	CALCUTTA-GULFS		CALCUTTA-MAURITIUS		CALCUTTA-PEGU	
	Imports	Exports	Imports	Exports	Imports	Exports
	S.R.	S.R.	S.R.	S.R.	S.R.	S.R.
1827-28	21,27,048	22,54,434	3,75,735	13,66,050	24,75,145	9,89,152
1828-29	7,78,281	17,98,927	1,21,798	16,04,050	22,25,291	9,35,162
1829-30	15,07,273	21,26,905	3,09,605	15,04,333	14,24,811	8,95,335

	CALCUTTA-SOUTH AMERICA		CALCUTTA-JAVA	
	Imports	Exports	Imports	Exports
	S.R.	S.R.	S.R.	S.R.
1827-28	1,82,578	x	9,92,709	7,75,023
1828-29	4,98,770	99,605	1,40,945	1,74,299
1829-30	5,17,910	1,54,446	96,792	2,51,120

x Import trade with Brazil ceased in 1827-28 and export trade in 1828-29.

Bengal Commercial Reports

(3) Bentinck was for buying investment in the open market. Bentinck to Auber 11 September 1830, Bentinck Papers op.cit.

Ellenborough's insistent orders for encouragement of cotton cultivation on the Company's account were ignored.(1) As the private ships needed freight badly the Government began to send cotton to China on private ships at a loss.(2) Regulation XXXI of 1793 was modified by Regulation IX of 1829 to put the private and the Company's silk investments on an equal footing.(3) The Government not only decided to commute the Commissions of the Commercial Residents into salaries from 17 February 1829 but deprived all Residents, appointed after that date, of private trade. The growth of industry in Bengal was encouraged by reduction of duties on export of mill-made flour(4) and permission was given to Messers Scott and Co. to erect a foundry in their Fort Glocester twist mill.(5) Lastly Reg. VI of 1823 was modified to ensure specific performance of indigo contracts at the request of Alexander & Co.(6)

There was one dissentient voice among the Judges of the Sudder Dewanny Adawlut to which the question was referred. W. Laycester considered legislation in favour of the planters as class legislation

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(1) G.G. in C. (Terr. Rev.) 18 May 1830. For Ellenborough's orders see Ellenborough to Bentinck 19 May 1829, 15 May 1830. Bentinck Papers op.cit. Court to G.G. in C. (Public) 18 February and 8 July 1829. Papers No. 34 before S.C.H.C. 1830-31. Import duties on cotton were lowered by 9 Geo IV Cap. 76.

(2) G.G. in C. to Court (Comm^l) 7 September 1830.

(3) G.G. in C. to Court (Comm^l) 27 July 1830.

(4) G.G. in C. to Court (Sep. Gem) 31 August 1830.

(5) G.G. in C. to Court (Pub. Gen.) 22 September 1830. The first foundry was set up by Jessop & Co.

(6) G.G. in C. to Court (Judicial) 9 November 1830.

and preferred sale of indigo plants in the open market. Others admitted the dubious nature of the contract - "insufficiently defined, and generally extremely unfair to the ryot, rendering him in fact a slave to the establishment with which he was once engaged"- "and the inaccessibility of Judicial remedy against oppression. But still they proposed that, if European ownership of land was not to be obtained on the planters' terms, specific performance should be.[1] Regulation V of 1830 protected the planters against wilful evasion of cultivation by the ryots by applying Sec. 5 of Regulation VII of 1819 which made the latter liable to the criminal charge of misdemeanour and the penalty of imprisonment, ~~for wilfully neglecting or refusing to cultivate~~ besides forcing them to cultivate. There was a provision for release of the ryots from contracts when no balance accrued but it imposed on them the burden of a civil suit when the planters refused to agree to this judgment. In the name of a fair and open competition the Regulation made the ryot a prey to the perpetual fear of criminal prosecution and more amenable to the harsh conditions of the contract.

The planters, it must be admitted, succeeded in getting the support of the enlightened middle class opinion represented by as great names as Rammohun Roy and Dwarkanath Tagore. Tagore, once

(1) Judicial Consultations 9 June 1830 No. 1 to No. 32.

the Head Dewan of the Opium and Salt Department, was now a big zemindar, himself owning several indigo factories.(1) He testified to the benefits conferred by the European planters on the country in a public meeting. "....I have found", said Tagore,"that the cultivation of indigo, and the residence of Europeans, have considerably benefited the community at large: the zemindars becoming wealthy and presperous; the ryots materially improved in their condition, and possessing many more comforts than the generality of my country men, where indigo cultivation and manufacture are not carried on...." Rammohun added that in his travels through Bengal he had found "the natives residing in the neighbourhood of indigo plantations evidently better clothed and better conditioned than those who lived at a distance from such stations... on the whole, they have performed more good to the generality of the natives of this country than by other class of Europeans, whether in or out of the service..."(2) The reports of the magistrates in answer to the Circular of the Government also spoke highly of 119 European proprietors and 354 European assistants in 899 factories in the Bengal Presidency except in one or two cases.(3) Most of the evidence before the Select Committee of the House of Lords 1830 and the Select Committee of the House of Commons 1830-31 were

(1) Alexander's East India Magazine, February 1831, Vol I pp. 211-12.
(2) Quoted in "Conduct of Europeans in India" - App. V to Report of S.C.H.C. 1832 No. 77 See Samachardarpan 19 December 1829 (6 Paus 1236).
(3) Return of Judicial Department 1 June 1830 op.cit.

special pleas for the planters.

The Board and the Court, however, were far from convinced. In the paper on "Conduct of Europeans in India", drawn up by the Board, we find none of these assurances. Wages of labour had not increased much.(1) The conditions of the ryots had specially deteriorated after the commencement of the indigo boom in 1824.(2) So far as the benefit derived from a large investment of capital was concerned, it must be decided first whether such capital was imported into the country or raised from the land thereby suppressing investment of native capital. Against the opinions of Rammohun and Dwarkanath it pitted the objections of other Indians(3) and even challenged the certificates of the magistrates as prejudiced. All the benefit was reaped by the agency houses which lent planters money at 10 to 12%,(4) besides exacting a commission of 2½% on advances and 2% on sale, and the gomasthas of the planters who, in most cases, were the actual oppressors. The zemindars often enjoyed higher rents from the lands sown with indigo - a fact which might have brought Rammohun and Dwarkanath to the defence.

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(1) Evidence before S.C.H.C. 1813 put it at 3s to 6s per month. The petition of the planters from Jessore 16 March 1829 put it at 5s to 8s. per month. Also Langford Kennedy's evidence before S.C.H.C. 1832 Q. 1203.

(2) Evidence of Andrew Ramsay before S.C.H.L. 1830. Q. 3520 et seq.

(3) A great controversy over this question was going on between the Samachar Chandrika of Bhabani Charan Bandyopadhyaya on the one hand and the Calcutta Journal, the Asiatic Magazine, the Calcutta Monthly Journal, the Sambad Kaumudi, and the Banga Duta. The last two papers supported introduction of European capital. The Samachardarpan of the Serampore mission kept aloof from the controversy.

(4) Bracken's evidence before S.C.H.C. 1830-31 Q. 178.

Moved by these considerations the Court strongly criticised the Bengal Government for passing Regulation V of 1830 which gave protection to one side and amounted to dispensing with the ordinary course of law in favour of the planters. "We cannot," the Court observed, "sanction any legislative measure which appears .....not to extend equal protection to all" and rescinded the offensive clauses. In reply to Bentinck's apologia for relief measures the Court asserted that these had created in the merchants "a habit of dependence on the Government." Questioning the propriety of lending so much to the Palmers and thus being "instrumental in propping up an insolvent House", it strongly enjoined upon the Government to let the agency houses know that it would not allow further interferences on the Government's part for the relief of commercial embarassment.(1)

While the controversy over the Regulation V was going on the Government found it necessary to help the free traders in several ways. Though it was not prepared like Metcalfe to abolish transit duties altogether and to end the discrimination in favour of Britain and the British flag,(2) it exempted coal from duty, reduced tariff on Bengal rum and remitted the inland duty on cotton yarn.(3) Secondly, it proposed to close the 5% and 4% loans and pay off the first instalment of the 5% debt of 1823 ($1\frac{1}{2}$ crores) and the Political loans.(4)

(1)n Court to G.G. in C. (Terr. Fin.) 20 July 1831.
(2) Separate Consultation 16 March 1830 No. 1, Separate Consultation 4 May 1830 No. 1 and No. 3 to No. 5.
(3) G.G. in C. to Court (Sep. Customs) 1 October 1830.
(4) G.G. in C. to Court (Terr. Fin.) 18 February 1831 and 17 May 1831. Gwalior Loans - 50 lakhs, other Political Loans - S.R. 1,02,54,475 and the first instalment of 5% loan - S.R. 1,50,00,000, would throw three crores of cash in the market.

Bentinck wanted to send bullion to the Court instead of using funds for debt-redemption. Since 1829 the home authorities were in a dilemma over the interest bills. The Court wanted to stop private remittance in that medium but the Board apprehended it would throw the creditors into the arms of the agency houses.(1) The Court accepted Ellenborough's suggestion to reduce the exchange rate on interest bills to 1s 11d and still continue the option(2) - further reduction being discountenanced as injurious to the Indian loans. The best thing the home authorities could do was to divert the loans to the native capitalists who held about 3½ million sterling in 1823. A power was given to the Government to stop remittance of interest on 5% loans of 1823/24 and 25 and to open a loan which would provide £1 million badly needed at home(3) and, if possible, convert the troublesome remittance loans. When Metcalfe insisted on payment of debts he had the idea of throwing cash into a depleted market.(4) The opening of a 4% loan, as the Court desired, would defeat this purpose by attracting all funds. Metcalfe opposed such a loan before the conversion or redemption of the 5% debt. But Bentinck was determined that the Court must have the remittance.(5) The loan was

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(1) Colchester Papers Ellenborough Diary P.R.O. 30/9 Vol. 29, 9 July 1829.
(2) ibid Vol. 30. 18 December 1829, 7 January 1830.
(3) The Court had been suffering from the fall of exchange. Where 2 crores 40 lakhs sufficed in 1813 to meet the home charges, 3 crores 50 lakhs were needed in 1829. The Board rate of exchange added to this difficulty. ibid Vol. 29, 27 October 1829.
(4) Metcalfe to Bentinck 17 February 1831, 19 February 1831. Bentinck Papers op.cit.
(5) G.G. in C. to Court (Terr. Fin) 20 June & 30 August 1831.

opened and about a crore was sent in 1830-31 to satisfy the paramount needs of the Court.(1)

The agency houses were now dependent on the Government's purchase of indigo and private bills. Alexander & Co. paid off part of their debt (S.R. 19,25,900) in bills and others availed themselves of this opportunity for cash.(2) When, with the appreciation of indigo in the London market, the Court asked Bengal to stop buying private bills, the latter interceded on behalf of the Alexanders(3) and the Court ultimately withdrew the order at the Board's insistence on trying this method of remittance in view of the eventual loss of the China monopoly.

The payment of loans and purchase of bills, however, could not keep the agency houses on an even keel. Trade was a little better in 1830-31 due to a slight recovery of textiles in England. Import of piece goods from Britain rose and of twist and yarn almost doubled. Copper and iron showed the next marked improvement. But imports from France were halved, though there was a slight increase in exports. Increase of trade with America was insignificant. Imports from China fell by as much as 37 lakhs and recovery of opium caused all the rise in exports. Exports to Penang and Singapore declined and trade with Coasts and Gulfs stood still. A depression overtook England in

(1) G.G. in C. to Court (Terr. Fin.) 1 May 1832.
(2) In all S.R. 32,43,193 was advanced for private bills.
G.G. in C. to Court (Terr. Fin) 15 February 1831.
(3) G.G. in C. to Court (Terr. Fin.) 17 May 1831.

1831 which continued until the Reform Bill was passed and affected Bengal trade in 1831 and 1832. Peice goods and twist fell again.(1) Trade with France steadied a bit but with America declined a good deal. Trade with China could not maintain in 1832 the recovery of the earlier year, the price of opium was falling, and trade with the Gulfs continued on the downward grade. There was a rise in exports to the Coasts, Penang and the French islands but trade with Burma was languishing.(2) The decline of ship-building at Calcutta evidenced this marked fall of country trade.

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(1) Import of British cottons and metals.

Year	Cotton piecegoods (S.R.)	Cotton Yarn (md.)	Cotton twist (md.)	Mule twist (md)	Iron (md.)	Copper (md.)	Lead (md.)
1830-31	58,66,096	1457	23,958	19,715	1,73,811	94,955	19,017
1831-32	42,72,336	1952	33,031	29,002	1,53,766	85,730	23,872
1832-33	39,72,259	878	17,297	12,480	1,37,162	68,483	22,607

Bengal Commercial Reports 1830-32.

(2) CALCUTTA-WORLD (CUSTOMS HOUSE)
(The Company and Private Trade)

	IMPORTS			EXPORTS		
	Merchandise S.R.	Treasure S.R.	Total S.R.	Merchandise S.R.	Treasure S.R.	Total S.R.
1830-31	2,72,89,237	60,97,416	3,33,86,653	5,08,66,033	33,11,135	5,41,77,168
1831-32	2,25,61,566	54,46,589	2,80,08,155	4,67,40,502	1,14,46,426	5,81,86,928
1832-33	1,97,30,422	53,62,596	2,50,93,018	4,88,49,237	78,45,535	5,66,94,772

CALCUTTA-U.K.

The Company

	IMPORTS		EXPORTS	
	Merchandise S.R.	Treasure S.R.	Merchandise S.R.	Treasure S.R.
1830-31	59,683		1,23,28,954	x
1831-32	x	x	97,20,971	73,89,815
1832-33	38,210		98,88,155	19,48,972
			Private Trade	
1830-21	1,97,84,811	7602	1,19,28,867	30,21,184
1831-32	1,72,27,917	x	1,18,40,413	36,42,784
1832-33	1,41,37,376	x	1,27,55,285	51,63,684

(Continued)

Footnote (2) continued from previous page.

	CALCUTTA-FRANCE		CALCUTTA-U.S.		CALCUTTA-CHINA	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1830-31	8,73,950	27,67,076	20,26,294	22,80,344	30,21,838	1,11,91,404
1831-32	3,19,838	17,72,003	16,56,985	34,70,363	13,86,597	1,25,60,454
1832-33	7,99,390	30,86,077	5,84,849	20,17,646	31,51,871	1,18,40,296

	CALCUTTA-PENANG		CALCUTTA-GULFS		CALCUTTA-COROMANDEL	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1830-31	31,29,127	27,70,189	8,36,859	21,01,011	5,98,682	9,40,489
1831-32	20,83,007	21,11,013	9,56,733	16,18,855	24,97,637	6,58,367
1832-33	23,45,069	30,92,705	3,65,469	9,32,632	10,03,897	13,42,428

	CALCUTTA-MALABAR		CALCUTTA-PEGU		CALCUTTA-MAURITIUS	
	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.	Imports S.R.	Exports S.R.
1830-31	6,48,989	16,53,066	13,87,454	13,85,348	1,65,919	11,08,992
1831-32	6,30,137	13,39,529	6,98,904	8,11,097	1,16,826	9,68,960
1832-33	8,08,193	18,53,823	14,08,732	8,65,067	1,54,442	15,13,152

Bengal Commercial Reports.

The Canton price of Patna opium had fallen in June 1832 to 860-800 dollars per chest, of Benares opium to 920 - 750 dollars and of Malwa opium to 535 - 520 dollars. Sep. Consult. 23 October 1832 No. 8.

Only 136 tons of shipping were built in 1832 when an average of 5000 tons were built between 1814-22.(1) The private traders were once more thrown on indigo as the Company outbid them in sugar, cotton and silk.(2)

The fall of the agency houses: This produced the final crisis of the agency houses in 1832. Fall of indigo production in 1830 had caused a speculative rise of prices in 1831. But abundant harvests were gathered in the next two years and prices declined. Scott & Co. stopped payment. Alexander & Co., already affected by the failure of the Palmers, were hard hit. They had received a loan

(1) DECLINE OF SHIP-BUILDING IN CALCUTTA

Year	Tonnage built	Year	Tonnage built	Year	Tonnage built
1823	1167	1827	820	1831	1605
1824	2375	1828	1193	1832	136
1825	1818	1829	727		
1826	2172	1830	929		

John Phipps History of Ship-building in Calcutta op.cit.

(2) COMPARISON OF EXPORTS
by Company and Private Traders

Year	INDIGO (Fact. mds.)		SUGAR (Baz. mds.)	
	Comp.	Pt.	Comp.	P.t.
1829	36,093	96,162	1,56,672	2,45,815
1830	18,018	1,08,538	1,37,939	1,29,238
1831	23,933	95,118	85,041	1,23,287
1832	24,044	1,06,972	1,19,778	1,09,569

Year	COTTON (Baz.mds.)		SILK (Maz.mds.)	
	Comp.	P.t.	Comp.	P.t.
1829	1,39,487	1,029	12,447	4,108
1830	1,28,026	57,797	14,517	2,923
1831	1,01,117	44,786	8,703	4,234
1832	1,20,559	6,384	8,924	3,516

Bengal Commercial Reports.

from the Government in 1830 on mortgaging 27 of their 56 indigo concerns, sugar and saltpetre factories and collieries.(1) As their loans were not yet paid off they could not lay hands on these properties. They began to withdraw their bank notes and tried to sell the remaining houses and factories. But the continuous fall of indigo prices overtook them, bringing down the value of these concerns and making realization of assets all but ruinous.(2) The Government's policy of debt redemption afforded some help and the Bank of Bengal some accomodation.(3) This proved unequal to the demands. The Alexanders failed on 12 December 1832 inspite of an excess of assets over liabilities.(4) The turn of Mackintosh & Co. came next on 5 January 1833 after they tried to stem a run for a fortnight.(5) The Alexanders and the Mackintoshes had a large clientele among the Company's civil and military servants and when their head offices in London stopped payment, the distress spread to England. The Court was appealed to for an order on the Bengal Government withdrawing its earlier prohibition on advances to the mercantile community but the Court turned a deaf ear.(6) The Colvins closed their

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(1) See Financial [redacted] Letters and Enclosures Received 1833. I.O.Vol.36,pp.480-83

(2) G.G. in C. to Court (Terr. Fin,) 27 March 1832.

(3) G.G. in C. to Court (Terr. Fin.) 31 July 1832.

(4) Assets - 494 lakhs after a deduction of $60\frac{1}{2}\%$ due to fall of prices
Debts - 344 lakhs.

See Alexander's East India Magazine Vol. V, pp. 1-16.

(5) Assets - 250 lakhs
Debts - 237 lakhs. ibid Vol. VI. p. 76.

(6) Auber to Bentinck 12 January, 20 April and 11 May 1833. Bentinck Papers op.cit.

doors in April.[1] Of the big six only the Fergussons and the Cruttendens remained - tottering under increasing pressure of withdrawals.

Bentinck came forward once more as the Saviour of the agency houses. They had appealed to him on 10 April for financial assistance so that the present concerns could be carried on. It was idle, they said, to expect capital from England. Palmer's assignees had abandoned 17 concerns for lack of capital and Alexander's assignees had been unable to dispose of a single factory. The scarcity of capital was felt even by the native zemindars who dabbled in indigo and by those who plied internal trade. While the Company exported bullion, the 4% loans were reabsorbing the cash paid for 5% loans. The decline of the export trade had seriously affected internal trade and the native capital, invested in internal trade, was being diverted to the Government loans.[2] Bentinck resolved ...."..to avert if possible, and next to stay and thereby to moderate the dreadful

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(1) Net assets - 47,15,000
Net debts - 1,02,90,000. Alexander's East India Magazine Vol. VI, p. 485.

(2) CALCUTTA - INTERIOR

	IMPORTS by land Co's. Dominions S.R.	Beyond S.R.	EXPORTS by land Co's. dominions S.R.	Beyond S.R.
1825	5,64,74,023	16,20,189	1,89,37,742	7,948
1826	4,93,19,756	20,34,687	1,28,51,008	39,152
1827	5,25,33,594	14,56,640	1,60,03,266	6,37,087
1828	5,18,40,909	14,89,037	1,36,56,972	4,25,845
1829	5,04,62,181	14,32,961	1,26,34,239	3,00,507
1830	5,19,20,084	4,13,386	1,15,52,072	4,28,174
1831	4,76,91,571	1,39,795	1,08,93,391	3,93,356
1832	4,94,49,317	4,19,720	1,17,16,678	4,42,411

Bengal Commercial Reports 1825-1832.

calamity of sudden ruin to all the great private and public interests still remaining," knowing full well that he incurred a heavy responsibility.(1) True it was that "the difficulty is created by the system of combining in the same persons, the operations of agency and trading,"(2) but more responsibility belonged to the Company's monopoly. "From this great parent monopoly have succeeded others - first, that of the military and civil services, whose savings made a large disposeable capital. This large disposeable capital begot the agency houses, and gave them, with the aid of the restrictive system, as complete a monopoly of the floating money of the country as that possessed of the Revenues by the East India Company itself." Now that a monstrous fabric had been built on it, it should not be allowed to fall suddenly and sweep away in its vast destructive course the fortunes of thousands of individuals. Its doom was already sealed. "There is an end to the system and in giving them our present support, there is no fear that any of the evils aimed at in the prohibitory orders of the Court will be perpetuated... The only thing at present was to gain time for the old houses to save themselves and the new houses to come with fresh capital from England and build anew on a surer foundation."(3) Despite the opposition of Metcalfe and Ross the Government resolved to give

(1) Bentinck to Amber 7 May 1833. Bentinck Papers op.cit.
(2) Court to G.G. in C. (Terr. Fin.) 20 July 1831.
(3) Bentinck's Minute 15 April 1833. Bentinck Papers op.cit.

thirty lakhs in loans.(1) Private bills were bought to the extent of S.R. 57,04,975, by way of remittance to the Court as payment of territory's debt to commerce.(2) But the evil could not be averted. Failure of the Fergussons in December 1833 and the Cruttendens in January 1834 rang down the curtain on the chequered history of the old agency system in Bengal. "The failure of the Fairlie's House in London finished the catastrophe."(3)

The Charter negotiations and the manufacturing interest: Out of the ruins of these agency houses a new organization of European capitalist enterprise arose - the managing agency system - which ushered in the industrial development of India and with it a new age. This was made possible by the Charter Act of 1833, negotiations on which began as early as 1828. In the background of these discussions was the opposition of the free traders and the manufacturers to the

(1) G.G. in C. to Court (Terr. Fin.) 23 April 1833. 15 lakhs to Fergusson & Co. and 9 lakhs to Cruttenden & Mackillop. The Colvins failed before the decision to lend them 6 lakhs.

(2) G.G. in C. to Court (Terr. Fin.) 17 June and 30 December 1833.

(3) Bentinck to Auber - 7 December 1833 and 17 January 1834. Bentinck Papers op.cit. The London Times computed the list of debts in the following way:

Palmer & Co.	Calcutta	- £ 5 millions
Alexander & Co.	"	- £ $3\frac{1}{2}$ millions
Mackintosh & Co.	"	- £ $2\frac{1}{2}$ millions
Colvin & Co.	"	- £ 1 million
Fairlie & Co. & Ferguson & Co.	London "	- £ 1,800,000.
Richard Mackintosh & Co.	London	- £ 950,000.

Michael Greenberg. op.cit. p. 165.

remittance trade from India and the China monopoly, focussed in the evidence before the Parliamentary Select Committees of 1830, 1831 and 1832, and further in the background was the continuous trade-depression since 1826.

In this public agitation against the Company the Manchester Chamber of Commerce took the lead. In 1827 a Committee of the Chamber expressed its concern about the future of textile manufacture in view of the rapid development of rival manufactures in Europe and the U.S: "...we are now beginning to find out great capital and means of production of goods cramped for want of more extensive markets. The vast fields for commercial enterprise which the East Indies offer to us...would assuredly make up for the falling away from all our former customers and give full employment to our redundant capital and dense population."(1) The Act of 1823 (4 Geo IV C. 80), which allowed trade with the East Indies, was not enough. The expansion of textile industry in 1824-25 had increased production beyond the limited capacity of consumption of these islands and with China closed as before, there was little likelihood of a profitable return. Moreover for the same capital and labour much greater quantity was being produced and at far less cost. By 1830 the English yarn had gone far to beat the Indian yarn.(2)

(1) Proceedings of the Manchester Chamber of Commerce. Vol. II. 25 April 1827. Quoted in Michael Greenberg op.cit. p. 181. See also Arthur Redford, Manchester Merchants and Foreign Trade 1794-1858, Manchester University Press 1934.

(2)

No. of Yarn	Cost of English Yarn per lb.		Cost of Indian Yarn per lb.
	1812	1830	1830
40	2s 6d	1s $2\frac{1}{2}$d	3s 7d
80	4s 4d	2s $6\frac{3}{4}$d	9s 3d
120	6s	4s	16s. 5d.
200	20s.	14s.6d.	45s. 1d.

See E. Baines The History of the Cotton Manufacture, op.cit.

For a moderate profit larger exports were ncessary and consequently extended markets.

The Duke of Wellington, we have seen, was in favour of the status quo though Ellenborough contemplated the end of the China monopoly and taking over the Indian administration by the Crown. There were two great problems to be solved before a final decision could be made - to balance the Indian budget and to ensure a regular remittance from surplus Indian revenue of an annual sum of £3 millions for payment of the home charges. In reply to the prevailing contention that the Company did not secure a profitable remittance through trade, the Court pointed out its difficulties consisting of the fall of exchange, imposition of the Board rate and private competition since 1813. It referred to the effects of the speculative growth of private imports on the limited resources of India, unable to return annually £3 million on account of the Government, £1 million on account of private fortunes and £4 millions on account of the free traders.(1) Monopoly of China trade was its only guarantee for dividend and the source of meeting the chronic deficit of Indian revenue.(2) Ellenborough showed that the private traders or remitters could not be blamed as the former had been suffering from depression and the latter had invested largely in India debt and inspite of the Company getting the major share of trade in recent

(1) Chairs to Ellenborough. 4 September 1829. Bentinck Papers op.cit.
(2) Memorandum of an interview with the Duke of Wellington and Ellenborough, 12 October 1830, see I.O.Charters Vol. 19. p. ii.

years neither the exchange had risen nor any appreciable profit had emerged.(1)

The manufacturing class was not prepared to let the controversy rest. On 27 April 1829 a permanent East India Trade Committee was set up at Manchester and it decided to collaborate with the Liverpool East India and China Trade Association. In freeing China trade the Liverpool importers of tea were more directly interested. Deputies of other manufacturing towns like Glasgow, Bristol, Birmingham and Leeds were invited to a meeting on 15 May 1829 where it was decided to send a United Deputation to the Government and to lobby the Parliament.(2) As a result Select Committees of both Houses of Parliament were set up in 1830. The time for the enquiry approached and a steady pressure of petitions, memorials, deputations and pamphlets was built up by the manufacturing class while the United Deputation became active in producing evidence before the Select Committees.(3)

Though the Company's statement of the price of teas somewhat injured its case,(4) the Select Committees of 1830 came out with favourable reports.(5) Further depression, however, galvinised the

(1) Ellenborough to Chairs 13 October 1829. Bentinck Papers op.cit.
(2) Proceedings of the Manchester Chamber of Commerce Vol. II, 8 February 1830. See Michael Greenberg. op.cit. p. 182.
(3) ibid. 13 and 26 March 1830. Of the prominent witnesses J. Crawfurd was the London publicity manager of the Calcutta agents, T. Rickards belonged to Rickards, Mackintosh & Co., the London office of Mackintosh & Co. of Calcutta and Bracken was a partner of Alexander & Co.
(4) Ellenborough's Political Diary op.cit. Vol. II p. 219 3 April 1830.
(5) Auber to Bentinck 17 June 1830. Bentinck Papers op.cit.

agitation of the manufacturing class in 1831 and 1832 and the evidence produced before the Select Committees of the House of Commons in those years was more hostile. Some complained of the Company's trade in indigo and cotton which raised the price[(1)] without being profitable.[(2)] Some attacked the Company's silk policy which made private investment impossible[(3)] but brought little remittance[(4)] and even charged the Residents with violent destruction of private filatures.[(5)] Holt Mackenzie testified to the feasibility of remittance through private bills,[(6)] and the private traders pressed for it.[(7)] One witness condemned the whole financial policy of the Company,[(8)] particularly its opposition to commercial banking which cramped credit and its debt management which caused unseasonable abundance and scarcity of capital. The customs policy was criticised by Holt Mackenzie[(9)] and salt monopoly was declared

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(1) G.G. Larpent's evidence before S.C.H.C. 1832, II Fin. Q.1976 et seq.
(2) Walter Simons's evidence before S.C.H.C. 1832, II Fin. Q 1027 and Q. 1038.
(3) Bracken's evidence before S.C.H.C. 1830-31. Q. 65, Q. 74, Matthew Gisborne Q. 1147.
(4) First Appendix to Third Report S.C.H.C. 1831 No. 23.
(5) Joshua Saunders's evidence before S.C.H.C. 1830-31. Q. 1998 et set. Q. 2022-23.
(6) Holt Mackenzie's evidence before S.C.H.C. 1832, II Fin. Q 233-301, 306 & 309.
(7) Robert Rickards's evidence before S.C.H.C. 1831. Q. 2855-60; John Crawfurd's evidence before S.C.H.C. 1830-31 - Q. 1850-52; Peter Gordon ibid. II Fin. Q. 2212-2350; Horsley Palmer's evidence before S.C.H.C. 1832, II Fin. Q. 1282 - 1447 and Rothschild's evidence ibid. Q. 2488 - 2498.
(8) Peter Gordon's evidence before S.C.H.C. 1830-31 Q. 2142, 2160, 2180 et seq.
(9) Holt Mackenzie's evidence before S.C.H.C. III Rev. Q. 938 et seq.

inimical to trade of Liverpool and Bristol besides being productive of inhuman oppression of the molunghees[1] and heavy taxation on the natives.[2] Thomas Langton, a Liverpool merchant, challenged the whole basis of the Company's claim to repayment of the territory's debt to commerce.[3] Commerce, according to him, was responsible for the origin of the India debt which the Company was fraudulently trying to foist on Indian revenues. Rajah Rammohun Roy's evidence before the Select Committee of the House of Commons 1831 added considerable weight to the sentiments of these witnesses[4] while the failure of the Calcutta houses brought a note of tragic urgency for reorganization of the whole commercial and financial basis of the Indo-British trade.

Besides manipulating evidence before the parliament, the manufacturing class tried to influence the opinion of the Board of Control.[5] The Manchester Chamber of Commerce emphasized the import of large cotton supplies from India which was possible only through the introduction of European skill and capital. The Glasgow Chamber of

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(1) H. St. G. Tucker's evidence before S.C.H.C. 1832 III Rev. Q. 517, Alex Reid's evidence ibid. Q. 652 et seq.
(2) Sir Charles Forbes's evidence ibid Q. 2425.
(3) Thomas Langton's evidence before S.C.H.C. 1831. Q. 2863-2970, Q. 4796 - 4822, Q. 4855-4912.
(4) Rammohun Roy's evidence before S.C.H.C. 1831 Q. 48-49, Auber in a letter to Bentinck says that Rammohun fell under the influence of J. Crawfurd.
(5) Answers to Queries proposed by the Board of Control, upon subjects relating to trade with India. App. to Report of S.C.H.C. 1832, II Fin. Com. No. 4.

Commerce wanted reduction of duty on salt. The Liverpool East India Committee required better communication in India to facilitate movement of raw materials. Langton demanded introduction of a uniform currency, Rickards - substantial banking houses and most interesting of all, Dr. Wallich tried to rouse the Board to the possibility of cultivation of tea in the foothills of the Himalayas.(1)

With the assumption of office by the Whigs in November 1830 the second stage of the negotiations over the Charter began. Charles Grant, the new President of the Board of Control, proposed that the Company should retain administration of India on the conditions that its China monopoly should cease, that it gave up all commercial interests and assets, that an annuity of £630,000 be granted to the proprietors, chargeable on the territorial revenue and not redeemable before a certain year and then, at the option of the parliament, redeemable by payment of £100 for every £5 5s. of annuity.(2) When the Chairman replied that the China monopoly was not only a channel of Indian remittance but afforded direct aid to the territory and that there was little hope of Indian revenue paying the annuity,(3) Grant spoke against "the exclusion...of the nation at large from a particular mart of trade, and especially from one so situated as China." This was specially true when the country trade

(1) App. to Report of S.C.H.C. 1832 II Fin. Com. No. 21.
(2) Paper of Hints shown by Grant at a meeting of Chairman, Lord Grey and Charles Grant. 10 December 1832. I.O.Charters. 19 pp. 3-4.
(3) Committee of Correspondence 2 January 1833 ibid pp. 6-7.

had superseded the Company's trade and the Americans were beating them.(1) Surplus commercial profits might help meet the Indian deficiency but they arose from a tax on home consumption of tea and the Company's claims on the territory were at best doubtful. Grant even indirectly threatened to hold an enquiry into the origin, nature and growth of the territorial debt and commercial capital in order to force the Company to a compromise.(2)

Convinced that their trade would go, the Chairs were still afraid that the plan tried "to convert the Court into a Government Board" and they wanted a collateral security for payment of dividend in the shape of a sinking fund based on investment of a portion of the Company's commercial assets in Consols.(3) The President assured status quo in all material points but declined a right of appeal to a third party or inclusion of an express provision of reference to the parliament in case of dispute. For collateral security of commercial capital he proposed that £1,200,000 be taken out of the commercial assets and invested in Consols to form with interest a guarantee fund until it reached £12 millions.

Ravenshaw, the outgoing Chairman, and the private trade interest in the Court never put up any show of struggle with the Government or answered vigorously to the campaign of calumny going on in the public or before the Select Committees. They prayed instead

(1) Charles Grant to Chairs 12 February 1833 ibid pp. 24-25. See Morse, American trade at Canton. International Relations vol. I p. 89.
(2) ibid pp. 39-40.
(3) Chairs to Charles Grant 27 February 1833 ibid pp. 77 et seq.

for a longer term for payment of annuity and a higher rate of redemption.[1] Henry St. George Tucker dissented from this pusillanimous attitude before "Mr. Grant's menace of confiscation" and asked for a continuation of trade ~~and~~ in silk and control of the conduct of the private traders in Canton.[2] The election of a new Chairman, Campbell Marjoribanks, in April 1833 set a new tone to the negotiations. The General Court demanded that the sum set apart for the guarantee fund should be sufficient in 40 years to equal the sum able to redeem the annuity, that the Company should have the administration of India for not less than 20 years, that all measures involving direct or contingent expenses should originate with the Court and the Company should have powers of check by a system of publicity to the parliament.[3]

Surprisingly enough Charles Grant reacted more meekly than before. He agreed to increase the guarantee fund to 2 millions, to apply it as security for dividend as well as capital, to give the former a legal priority to all territorial payments in England, to empower the Court to borrow for that purpose, if necessary and to withdraw the Board's proposed veto on recall of the Governor General, the Governors or the Commander in Chief. He was also prepared to discuss any practicable expedient about publicity to the parliament. On 7 June the Secret Court surrendered, and on 10 June the General

(1) Chairman to President of India Board 18 March 1833 ibid p. 96.
(2) H. St. George Tucker's dissent. 30 March 1833. ibid pp. 114, 117 et seq.
(3) Resolution of the General Court 25 April 1833 ibid pp. 178-79.

Court concurred. In July Grant ordered the Court to send no more ships to India and China, nor proceed with any more contracts except silk up to 1834. The East India Company had come to an end as the mightiest trading organisation of history.

The Charter of 1833: The Charter Act of 1833 was more a confirmation of the political and economic tendencies in operation than an innovation of principle or policy. As Macaulay, who played a dominant role in drafting and piloting the bill, pointed out - it was a compromise: "I will not in a case in which I have neither principle nor precedents to guide me, pull down the existing system... which is sanctioned by experience."(1) Once the parliament's supreme authority was announced and the Board's control made conclusive, the Company could go on with administration of India for which it had been justly praised by the Select Committees. The Board had assumed a firmer control of the Court before the Charter Act formalised it. The nomination of the Governors General had virtually passed to the Board. The Directors were in danger of losing even their privilege of exercising a veto on the Government's nominations. This was an anomaly and the Charter Act retained it. Either it should have openly reduced the Court to the status of an advisory Committee or given it the character of a constitutional check on the actions of the Board, generally ignorant of Indian affairs and liable to be swept away by party and political expediency. Moreover,

(1) Parl. Hist. Third Series Vol. XIX p. 504.

as Wynn very sensibly showed, the Court, now more amendable to the City interest, would loose its roots in Indian experience and be unfit to impart impartial advice to the Board on what would be beneficial or practical in the actual circumstances in India.(1) The powers of the Governor General were increased as the men on the spot wanted them to be but it was a great blunder to encumber him, as before, with the Governorship of the vast and unwieldy Bengal Presidency. The Court made only one gain and that by the back door. Though the principle of open competitive examination was recognised as the basis of appointment of civil servants, the Court inveighed the Board into allowing it to retain patronage as before.

So far as trade was concerned the Charter of 1833 took away what the Company would have soon lost. It was conducting a fast-losing trade for the sake of remittance. Profit on Indian trade had ceased since 1819 and the growing loss on it reduced the total turnover from India and China from an average of £1,525,799 between 1814 to 1818 to £625,910 between 1824 and 1828. The Company had ceased to export merchandise to India since 1824-25 and the amount of investment, considerable even during the Burma Wars, was unable by 1830 to meet the home charges.(2) Piece goods now consisted of silk bandannoes, precarious in the face of the French

(1) Parl. Hist. Third Series Vol. XVIII, p. 741.
(2) Court to G.G. in C. (Terr. Fin.) 19 August 1829.

competition; cotton trade with China was fluctuating; sugar had been discontinued since 1832, and indigo, for some years one of the two chief modes of public remittance, was left to the private traders. By 1833 Bengal silk alone remained in the Company's hands. From China too tea was the only article exported on the Company's account, nankins having been discontinued since 1822 and silk since 1824. The Act of 1833 thus consummated the process of gradual decline by taking away the exclusive tea trade, already seriously challenged by the Americans, and the semi-exclusive silk trade, which in view of the new liberal regulation would not have with-stood private competition for long.

The Company got on the whole a fair deal by the financial provisions of the Charter. By the Act of 1813 the Company was required to apply its surplus commercial profits to the reduction of debt and had done so to the extent of about £5 millions by 1828-29. The provision for repayment in India of advances made in England from commerce to territory had not succeeded in its object. By 30 April 1829 the territory, in the Court's view, owed a net balance of £3,036,578 to commerce which would be further increased by a dormant claim of £3,616,113 (without interest) on account of wars which preceded the acquisition of the Diwani. Further, the Court wanted to count the home bond debt of £3,600,000 as a territorial charge. No doubt these claims were hotly disputed by the pro-free trade witnesses before the Select Committee of the House of Commons 1831.

Even an extreme view had been taken which made commerce responsible for the whole of the Indian territorial debt.(1) Like its predecessor of 1810-12 the Select Committee of the House of Commons 1832 was unable to judge between the parties because of lack of evidence. It was almost impossible to establish these doubtful and dormant claims against the opposition of the free traders and even of the Board. The Charter of 1833 cut through them. It recognised the territorial debts and charged them on the Indian revenues.(2) It provided for a dividend of 10½%, secured on the same revenues and a guarantee fund of £2 millions, rising to £12 millions, which had precedence over all territorial charges. It also provided for redemption of capital at 2 to 1 not before the end of 40 years, which was similarly secured by the guarantee fund. There was no longer the uncertainty of remittance from India, nor the anxiety over fluctuations in the home and foreign markets - the Court could borrow from the guarantee fund to make good the dividend and the India Government had to send a remittance for repayment at the earliest. The Company did not know whether it would have at the end of its commercial career any assets left to divide. The commercial property was valued at £21,668,510 on 1 May 1829 but more than 54% of it consisted of goods and merchandise, which might have realised far less if sold all at once, and the rest consisted of debt due by the territorial branch, which was disputed, or floating and dead stock - recoverable with loss

(1) Thomas Langton's evidence before S.C.H.C. 1831 op.cit.
(2) The question ~~was~~ of India debt was very important to the Europeans. The S.C.H.C. 1832 states in its Report that, of the Registered India Debt amounting on 23 May 1831 to £30,774,092, the natives held £7,860,102 and the Europeans £22,913,990.

if at all. It was far wiser to close with a prospect of £200 for every £100 after enjoying for 40 long years an absolutely sure dividend of 10½% and a relatively untrammeled patronage. Moreover, the salt and the opium monopolies were left intact. The best of the utilitarians - Mill and Mackenzie - fought hard for them and Tucker, a vehement opponent, could not suggest a substitute.

There were two important innovations in the Act, one granting the Europeans right to own land and the other asserting that no native should by any reason of religion, place of birth, descent, colour etc. be disabled from holding any place, office or employment under the Company. The former was accompanied with relaxation of the licence laws. No licence was required to get into the Company's territory or to proceed into its interior provided people, arriving from outside, made known their names to the responsible officers. Licence would be required for residing in certain parts of the territory, not mentioned before, but could not be revoked except in accordance with its terms and the Governor General in Council with the Court's consent might open other parts of India. These two clauses, however, were more declaratory in character than is often assumed. European ownership of land had already been allowed by Amherst and liberally extended by Bentinck. In fact this clause came under the attack of the free traders as falling short of expectations.(1) The employment of natives again was an accomplished fact to which the

(1) Comments on the E.I. Company's Bill. Alexander's East India Magazine Vol. VI pp. 209-218.

the Charter gave the parliamentary blessing.

The Charter of 1833, therefore, is not important for its direct but its indirect consequences. By ending the remittance trade and the China monopoly of the Company it opened India to the full impact of the Industrial Revolution. The free traders, now more assured of obtaining profitable returns either from India or circuitously through China, could import more and more of British manufactures. The Indian piece goods were now driven out of the native market and the rapid increase of British twist and yarn carried the war into every village home where from time immemorial cotton was spun as a subsidiary employment and a protection against the vagaries of the season. (1) Recognition of the Europeans' right to own land led to the introduction of the Plantation system, when the tea plant was discovered in Assam and the Himalayan foothills by Lt. Charlton and Captain Jenkins in 1833. (2) The mining of Bengal coal, already started by Alexander & Co., could be further extended with the development of industry and transport. The establishment of cotton, twist, rice and flour mills near Calcutta had led to the establishment of foundries which could be enlarged into a metallurgical industry. Industrial development necessitated a new system of communication. Steam navigation, introduced under the Government auspices in the mid-twenties, (3) was put on a sound basis

(1) The Samachardarpan 5 January 1828 (22 Paus 1234) A letter from a Spinner (Santipore) to the Editor.
(2) Dr. Wallich to Bentinck 4 January 1834. Bentinck Papers op.cit.
(3) G.A. Prinsep, Account of Steam vessels in India, Govt. Gazette Press, Calcutta 1830. The Diana, the first steam vessel built in Calcutta left Kyd's Yard in 1823.

by the creation of the New Bengal Steam Fund on 22 June 1833 and the River Indus Steam Navigation Company. Though the first railway would be laid in the time of Dalhousie, the Government was deliberating as early as 1828 on its comparative advantages over inland navigation.[1] Creation of a national market was assured when transit duties were abolished in 1835, as a result of Charles Trevelyan's famous report.[2] The agency house which had played such a chequered role in the growth of early British capitalism in India, gave way to a new type of organization - the managing agency system. It depended no more on the savings of the Company's servants or on loans from the native shroffs, on the limited accomodation offered by a single Chartered bank or on occasional charity of a sympathetic Government. It could rely on free import of surplus capital of England and larger and cheaper banking facilities symbolised in the Union Bank which got a Charter in 1835.[3] It was as a culmination of this process that the Bengal Chamber of Commerce was founded on 31 March 1834 - "to receive and collect information on all matters of mercantile interest, bearing upon the removal of evils, the redress of grievances, and the promotion of common good. To communicate with authorities and with individual parties

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(1) H.T. Prinsep's note of 31 July 1828. R.C. Dutt The Economic History of India under Early British Rule - p. 311.

(2) Charles Trevelyan submitted his first Report on the 'obstructions that exist from our present system of Custom House Chokees to the navigation of the Jumna and the Ganges etc.' as early as 1 September 1832. See Bengal Separate Consultations, 6 November 1832. No. 5 No. 9.

(3) It was founded in 1829. The Samachardarpan 22 August 1829. (7 Bhadra 1236).

therefor ..."(1) The Chamber would be the symbol and spearhead of European capital in India in the coming age of enterprise.

Among the subscribers of the Chamber were the names of three Indians - Dwarkanath Jagore, Prasanna Kumar Tagore and Rustomjee Cowasjee. Dwarkanath was also a director of the Union Bank, the founder of Carr, Tagore & Co and a director of the Calcutta Steam Tug Association. He was the first Bengalee entrepreneur in the strict sense of the term and one of the earliest examples of the native bourgeoisie breaking out of their circumscribed origin in the Permanent Settlement and public service. He was a zemindar and before that, the Head Dewan of the Company's Salt and Opium Department. Not content with his provincial pasture or his peaceful pension he held out for the new spirit of enterprize. With justifiable pride he wrote about the Carr and Tagore Company to Lord Bentinck,..."It is so far a remarkable one in the commercial history of Bengal, as it is the first instance in which an open and avowed partnership has been established between the European and the Bengal merchant with the capital of the latter ....instead of being left dependent upon those resources, which the melancholy experience of late years

(1) Bengal Fin. Consult. 19 May 1834. Mr. Geoffrey W. Tyson in his centenary survey of "The Bengal Chamber of Commerce & Industry 1853-1953" (Calcutta, 1953) calls it the Calcutta Chamber of Commerce, though he admits that there is "no absolutely indisputable proof that the parent body (of the Bengal Chamber of Commerce which he thinks was established in 1853) was brought into being as the Calcutta Chamber..."(p. 12) But the Financial Consultation, which discussed the newly founded Chamber's petition, refers to it as the Bengal Chamber of Commerce.

has proved but too precarious." He seemed to be conscious of the role of his kind and to articulate the first positive assertion of the Indian capitalist that "it will be our endeavour to merit the most extended confidence and to take up that position in supporting or unfolding the productive energies of the country which may hereafter connect our establishment and name, in some degree with the general prosperity of India and encourage others to base themselves upon the same principle of combining, as much as possible, the advantages, at present too seldom attained, of European and native integrity, wealth and experience."(1) Tagore, in fact, was responding to the challenge of the Industrial Revolution by way of an economic synthesis while his friend and fellow-reformer, Rammohun Roy was responding to the challenge of Western thought and ethics by a cultural synthesis. While the medium of the former was partnership of European and native capital and enterprize, the medium of the latter was partnership of European and native thought (through education) and administration (through public service). More, Dwarkanath was interested in education and Rammohun in the introduction of European skill and capital.(2) Like Bentham and Ricardo in England Tagore and Rammohun were the precursors of a new age. One of the most important effects of the Charterof 1833 and its associated events was

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(1) Dwarkanath Tagore to Bentinck 20 August 1834. Bentinck Papers op.cit.

(2) See Remarks of Rammohun Roy on Settlement in India by Europeans. 14 July 1832. App. V. S.C.H.C. 1832, No. 76.

the emergence not only of a middleclass but of a constructive middleclass ideology in India on the fulfilment or frustration of which the future of the Indo-British relations depended.

Chapter VI

Some Conclusions

British political and economic expansion in India, which had been going on since 1757, completed its formative phase by 1833. Britain had not only won the paramount political power in India but more than half of Bengal's external commerce. Taking the Customs House valuation, she sent 56.8/16% of Bengal's total imports in 1832 and received 52.8/16% of her total exports. To this the private British capitalist and the private British trader (often the same person) had no doubt contributed the principal share. On 23 May 1831, the Europeans held £22,913,990 of the total India debt - £30,774,092 - which had grown up mainly on account of the territorial expansion.(1) In 1832 private trade with the United Kingdom accounted for 56% of imports and 31½% of exports, when the Company still plied its remittance trade. The private trade with foreign Europe and America had a corresponding decline. From 13.9/16% of imports and

(1) Report, S.C.H.C. 1832. Montgomery Martin gives an account for 1833 according to which out of a total debt of S.R. 27,21,68,000 in that year the Europeans owned S.R. 20,47,95,600 and the natives S.R. 6,73,72,400. History of the Possessions of the Honourable East India Company Vol. II p. 145.

15.15/16% of exports in 1812 their share had fellen to 6% of imports and 9% of exports in 1832.(1) While in the three years ending 1832-33 bullion worth only S.R. 1000 was imported from Britain, the Americans alone imported bullion worth S.R. 19,74,287. If to the amount of direct trade with the United Kingdom, the amount of the country and coastal trade be added, the private British trader's share increased greatly. The advantages of the Industrial Revolution, now reinforced by free trade, seemed to invest him with absolute control of India's economic destiny.

To deny that the improvement of trade between 1793 and 1833, mainly with Britain, benefitted Bengal is to fly in the face of facts. Indian economic historians are too often obsessed with the decay of Indian cotton manufactures to appreciate the remarkable growth of trade in raw materials. Dutt's criticism of a heavy land tax holding up the productivity of land is not true of the permanently settled part of the Bengal Presidency. With the growth of trade the value and volume of the produce of the land had increased. In 1795 S.R. 1,12,93,453 worth of goods were imported by land into Calcutta mainly for export to the foreign countries. In 1812-13 the imports by land had gone up to S.R. 2,79,12,927 or by 247%. Free trade

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(1) Proportion of Private British and Foreign Trade in 1832

		Value (S.R.)
IMPORTS	British	2,27,18,512
	Foreign	16,70,264
EXPORTS	British	3,52,05,734
	Foreign	76,65,306

Bengal Commercial Reports 1832-33.

wrought a further revolutionary change. In 1828 Calcutta was importing S.R. 5,93,29,946 worth of goods from the interior which fell to S.R. 4,98,69,037 in 1832 under the impact of a trade depression in Britain. Compared to 1795, even the lower imports of 1832 registered an improvement of 440%. It will not be an over-statement to say that Bengal's production of cash-crops had gone up at least twice during the span of forty years under review. Scarcity of specie and the consequent deflationary tendency were a check to production up to 1798. But the years between 1798 and 1822 experienced inflation caused by foreign demand, wars and free trade speculation. The rise of prices naturally added a stimulus to production which the zemindars of the permanently settled Bengal were not slow to exploit.

Absolute dependence on raw materials, particularly indigo and silk (and opium), had its obvious weaknesses. The decline of Bengal's indigenous cotton manufacture left the primary producers a helpless prey to international economic forces, unarmed before the vagaries of industrial capitalism.(1) The depression of 1826-27 and

(1) The dependence on raw materials became most marked after 1819.

Goods imported by land into Calcutta

	1819 S.R.	1827 S.R.	1832 S.R.
Cotton piece goods	1,26,52,685	44,14,731	18,42,532
Silk piece goods	16,86,596	4,54,828	35,94,520
Indigo	1,05,92,614	1,51,69,900	1,33,25,500
Silk	78,72,123	77,82,210	61,14,935
Cotton	40,14,883	37,41,040	28,55,097
Sugar	48,69,956	21,37,972	16,99,648
Saltpetre	29,25,089	13,14,830	23,22,106

Bengal Commercial Reports 1819,1827, 1832.

the consequent fall of raw material prices (1) were the first indication of the extreme vulnerability of her unbalanced economy. It showed the shape of things to come if India was not quickly industrialised and was relegated to play the subordinate and complementary role of a raw material producer.

Though Dutt is right in denouncing the British manufacturer for denying Indian cotton industry free trade and for depriving it of protection, he does the East India Company an injustice by making it a party to that policy. The Company tried its best to save the art of Indian cotton manufacture with whatever patronage it could afford. It fought with no less zeal than the free trader for the reduction of tariff in England. The policy of imposing transit and town duties was neither laid down nor retained at the behest of the Court and, after 1815, it often dwelt on the injustice of continuing them on piece goods and cotton. Indeed this was more harmful to India than the high tariffs in England as it facilitated capture of the home market by the British cotton manufacture and precipitated the inevitable decline of producing centres like Dacca, so feelingly described by Charles Trevelyan before the Select Committee of the House of Commons in 1840 and by Bishop Heber in his Indian

(1)

Articles	Prices 1826 S.R.	1828 S.R.	1832 S.R.
Indigo per fact. md.	270-330	235-310	140-158
Sugar " Baz. md.	9/4-10/4	10/6-11/12	5/4 - 10/-
Silk " seer	14/8 - 16/-	12/12 - 13/4	9/4 - 11/8
Cotton " Baz. md.	13/4 - 16/-	12/8 - 14/-	12/8 - 13/-

Bengal Commercial Reports 1826, 1828, 1832.

Journal. Nothing short of mechanisation of the Indian cotton industry could have prevented the disaster. So far as raw materials were concerned, the Court's correspondence with the Indian Governments, amply quoted in this thesis, illustrate the solicitude it felt for their improvement. If cotton and silk were so developed by 1832 that one could supply the China market and the other the British - the Company should get its due meed of praise. Indigo owed its origin to the Company's favour and the Court never forgot to warn the planters against over-production nor the Bengal Government to rescue them from its effects. The only limitation before the Company regarding investment in cotton and sugar, besides finance, was the incubus of the shipping interest which demanded a freight too high for gruff goods but, within that limitation, it proved helpful. The West Indies Sugar interest deserves greater blame than the Shipping Interest for the apathy towards Indian sugar; the Liverpool importers and the shortness of staple of Indian cotton bear more responsibility for its exlusion from the British market. The Company's monopoly was no doubt an insuperable obstacle before the import of capital for the development of Indian raw materials but it is at least debatable how much could have been imported during the Revolutionary and the Napoleonic Wars which created an insatiable demand for capital nearer home and were not propitious for a large scale sea-borne trade with India.

One of the trickiest problems, that has plagued Indian historians, is the problem of the 'drain'. It was first stated systematically in the Ninth Report of the Select Committee in 1783, which was definitely biased against the Company, and thereafter taken up by Brooks Adams, Digby, Romesh Dutt and a host of historians following them. Dutt gave it a quantitative definiteness which tempts an easy acceptance. Holden Furber has warned us against considering it solely in terms of Bengal. The nature of this study precludes us from an analysis of trade of the other Presidencies which alone can give us some clue to the truth and though we possess the full statistics of Bengal trade, the unreal method of valuation at the Calcutta Customs House makes all statistics no more than a tentative illustration of tendencies. It is true that, so far as Bengal was concerned, there was always a 'drain' in the sense of an excess of exports over imports (1) except in 1818-19. The more important question, however, is neither the fact of 'drain' nor its actual amount (2) but its nature and whether it was taken away, as is proclaimed, without any 'direct equivalent.'

Dutt failed to differentiate between trade on private and public account, nor has he differentiated between 'drain' before 1813 and after 1813 - the former arising from an application of

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(1) Sir Theodore Morrison in 'The Economic Transition of India' has warned us against equating the 'drain' with excess of exports over imports.

(2) Dr. J.C.Sinha in his Economic Annals of Bengal calculates 'drain' between 1757 and 1780 as £38,400,000, p.52.
Sir P.J.Griffiths calculates drain between 1780 and 1813 as £30,000,000 or less than £1 million per year but does not provide us with the basis of his calculation. The British Impact on India p. 400. Even Holden Furber's calculation of 'drain' between 1783-92 is not complete.

territorial revenue to the provision of the investment and the latter from remittance of an equivalent of the home charges. Secondly, if the drain by the Company was mostly in the form of goods - not surely in gold, as bullion imported on public account often exceeded what was exported - these goods were bought in the Bengal market for some value. Was it not then returning some direct equivalent to the land in the shape of prices? Was it not assisting to that extent in the development of, or at least in maintaining the quantum of, industry and agriculture with a part of the State revenue? Does it really matter whether muslin was worn by a Mughal princess or a Versailles belle? In the case of 'drain' on private account - this indirect encouragement of production must also be acknowledged. Much of this 'drain' took place in the medium of indigo and Buchanan Hamilton in 1807,[1] W. Fairlie in 1813[2] and Rammohun Roy and Dwarkanath Tagore about 1829[3] spoke of the benefits it conferred on the country side. But for the Company's remittance trade after 1813, much more private capital would have been invested in Bengal in raw materials. As it was, about £2 millions worth of Bengal goods were purchased by the private traders each year - a fact to be reckoned with when we cast up the balance sheet of the so-called drainage.

One important reservation may be made. Was there a surplus

(1) Eur. MSS, D 72, p. 120.
(2) See Chapt. III.
(3) See Chapt. V.

revenue to buy goods with for the investment or for the remittance of the home charges after meeting the expenses of the imperial expansion, or was the purchase or remittance by trade made from loans? If the Government did the latter, then, it was surely cancelling much of the benefit by adding to the general burden of interest. Except in so far as such loans provided for the investment of native capital, the burden was real and, even in that case, the benefit was not equally distributed. The Government's demand always tended to raise the interest rate in the domestic money-market to the detriment of the producers and the middlemen who depended on borrowed capital. When, to pay annual interest, on debt incurred for investment, salt monopoly or transit duties were kept up, the system of loan-financed trade impeded production. The Company never admitted that it borrowed for trade. It is impossible to say as its commerce and Government were hopelessly mixed up. If they were for war - the loans partly increased productivity by increasing the demand for army and commissariat supplies and, what is infinitely more important, purchased peace and order and unity - the basic necessity for any progressive economic development. It is not easy to see how it could have taken place without a national market and how a national market could have come about without wars of consolidation or expansion. If the loans were incurred for meeting the home charges, it must be admitted that some of these charges were debitable against India.

It would have been in the interest of India and of the Indian capitalists to monopolise the public debt. The rapidly mounting income from empire-building would, then, have remained in India. The opposition of Dutt and many other economists of his generation was not so much to the growth of a British Empire in India as to investment by the private British capitalists in that enterprize. But it is doubtful whether so much capital would have been available from native resources alone or the Indian capitalists would have agreed to accept the gradually diminishing rate of interest on public loans so long as land or rural money-lending remained more remunerative. It was stagnation of trade which persuaded the Europeans to accept less and less for their superfluous money provided they obtained remittance in bills for the principal and interest. Had trade been free from 1793 and had there been no war - it is doubtful whether the private British capitalist would have cared so much for building the British political Empire. As such the opening of India trade in 1813 had some effect on the ratio of the holdings of public securities by the Europeans and the natives. By 1832 the latter had increased their share of the Company's paper and, had trade not been dull since 1826, would have had a still greater share.

Some of the financial muddles followed from lack of knowledge and experience. Disraeli once said, "...India that has produced so many great men, seems never to have produced a Chancellor of the Exchequer". War finance, an art still wrapped in mystery, was unknown in the Company's India which had been called upon to fight a series of wars since the days of Warren Hastings. There was no finance department till 1844 and no finance member till 1859. The Governor General in Council had to manage Indian finance as best as it could along with hundreds of other pressing problems. It had to fall back on the native business instinct of the Englishman and the financial policy it adopted was more often a product of expediency than of an understanding of the full significance of the economic forces at play. The close connection between trade and finance added to the complexity and the home charges to the difficulties already inherent in a dual system of financial management. Leadenhall Street and Fort William were often at cross purposes. The prodigality of the provincial authorities plagued the peace of the Bengal Government. The Board of Control would order expenditure over the head of the Court. There might have been some respite had the employment of native agency been decided earlier. But the Cornwallis prejudice died hard. The prevailing dogma of laissez faire cramped expenditure on nation-building activities, and even if there were will, the Indian Government found it hard enough to keep above water.

It is as idle to anticipate a welfare state at the beginning of the nineteenth Century as it is unjust to impute a premeditated plan of exploitation. Bengal did not begin to go down hill from a certain date in 1757. The causes of disintegration lay in her political, economic and social system before the British assumed the sovereignity of Bengal. Lack of foreign trade (as distinct from coastal trade), shipping (as distinct from the miserable native dhonies), banking, credit and joint stock organization (not permitted to develop by the monoply of Juggut Seths), peace, order and national cohesion (impossible after the dissolution of the Mughal Empire), variety and free scope of large scale production (dependent on peace and order), adequate protection for private property (necessary for the growth of capital) and a strong middle class (to supply leadership) contributed to the inertia of economic life in Bengal. Caste stood against initiative, chaos against enterprize, localised markets against advanced technique, economic fragmentation against formation of capital. Over a society divorced from the State hang the whim of gods and local lords which confined thought by fatalism and action by the simple needs of the day. The impact of a complex alien administration and a superior economic technique naturally proved ruinous to this rotten edifice.

But how far did this impact contain the seeds of a new economic life? Had the imposition of an alien economy a positive, creative role? We must analyse its consequences for each social class to answer this question.

First of all the zemindars in whose favour the Permanent Settlement was enacted. In Dutt's opinion that was the only beneficial act performed by the Company. A review of the period compells us to modify this attitude of our Victorian forbears. Apart from the injustice to the peasantry who were the real owners of the soil,[1] Cornwallis alienated in advance the main source from which an increase in the income of the State could in future be expected. This had incalculable repercussions on Bengal finance. The State was forced to borrow to meet the increasing cost of administration consequent on an inflationary tendency in the early nineteenth century. What the people saved in taxation, which was fixed for all time, they paid in the shape of interest which was remitted to London. More, while one class in the society received the unearned increment, the loss was spread over all classes. Debarred from a larger revenue from land, the State had perforce to keep up the injurious inland duties and the monopolies and had little to spare for nation-building activities.

Every institution depends on the character of the people who work it. The Permanent Settlement was meant to give the zemindars a hereditary ownership of the soil so that they would have a stake in the improvement of tillage and would plough back their profits into land. This did not happen. Over-assessment[2] led to revenue sale

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(1) The 'pattahs' were neither claimed nor given. The peasants did not want adjustment of rents on definite terms as they were unwilling to relinquish the future gain from vague tenures. The landlords were willing to take advantage of the same through their powers of distraint and eviction. Though imposition of abwabs or illegal taxes were unauthorised by the Government, a few leading ryots, gained by indulgences, easily led the multitude. The under-tenants, who had to pay excessive rents in kind, suffered most. See Colebrooke op.cit. pp. 48-64.

(2) The question of over-assessment is debatable. See the controversies between Sir John Shore and James Grant in Firminger's Fifth Report, and Ascoli's Early Revenue History of Bengal. Mismanagement, extravagance and even deliberate defalcation to purchase the same land in another's name played their part. The zemindars tried in this way to persuade the Government to abolish revenue sale. Lack of cheap credit worked on the introduction of money economy.

and revenue sale to a transfer of ownership to the hands of speculators who had no hereditary link with the soil or the people who tilled it. Fragmentation of estates and rise of land value helped this process. The new owners were mostly of the middle class, created by the expansion of British administration and commerce, who made their piles as banians of Englishmen or benami farmers of revenue (the Collector being the real farmer) or clerks in the Commercial Residencies and in the Revenue and Judicial Departments who were in a special position to manipulate the revenue sale in their own interest. These people were mostly absentees towhom land was one of several alternative fields of investment.(1) They bought and sold according to the returns land gave but, quashing in that way, all dependent rights.(2) The State, now hopelessly dependent on land revenue, was blackmailed by them topart with extensive rights of distraint which put the peasantry entirely in their hands. Introduction of the Patni tenure increased the number of middlemen between the ryot and the State. All this took place in a period of englarged demand for Indian raw materials and the rise of raw material prices. The increased profit from land, therefore,

(1) It is striking how during Wellesley's Mysore and Hastings's Maratha Wars the revenue sales realised far less than during the years of peace which followed. Wars made public securities more attractive. See G.G. in C. to Court (Revenue) 23 September 1798. Court to G.G. in C. (Revenue) 21 March 1821. G.G. in C. to Court (Revenue) 1 August 1822., G.G. in C. to Court (Revenue) 30 July 1823.

(2) "Of the increased value of estates, the increase of cultivation is not the only possible cause. The sacrifice of all the rights of the ryots may possibly be another..." Court to G.G. in C. (Revenue) 21 March 1821.

was absorbed in unrestrained enhancement of rents. The peasantry lost the margin of profit which was rightfully theirs. Worse still, the zemindars, talookdars and the middling farmers now turned money-lenders as the introduction of a money-economy and increase of production raised the need for rural credit. The union of the zemindar and the money-lender in the same person was an unmitigated disaster for the country's economic development. It deprived industry and trade of capital and it shackled agricultural improvement by taking away the only incentive before the peasantry.(1) Production no doubt rose but cultivation was more extensive than intensive in character. So many more acres were brought under the plough without any enrichment of the quality or the reduction of the cost of production. The only other class that gained from this system was the officials attached to the zemindars and the intermediate tenure-holders.

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(1) Dr. Buchanan Hamilton refers to the combination of the landlords and the larger farmers in fleecing the peasantry. "A clamour however, as usual, has gone abroad against the wealthy farmers, who are considered as mere flayers of the poor, and no people privately join more earnestly in the cry than the landlords. In public, however, they court the wealthy farmers, and it is alleged often purchase their assistance to enable them to fleece the poor tenantry." He refers to the numerous perquisites and exactions and particularly to the rate of interest charged on advances to the ryots. "He (the ryot) receives the rice, that is necessary for seed, or for his maintenance, at the high rate, which prevails for 6 months before harvest, and he must pay it back at the low rate, which is put upon it, when the market is glutted by every necessitous creature bringing his corn for sale." Eur. MSS D. 71, pp. 212-216.

In 1793 Bengal scarcely had a class engaged in what could be called foreign trade. The Coasts were the limit. It could not have survived the cut-throat competition of the British country-traders and its decay was only delayed for a while by the development of the foreign European and American trade during the Revolutionary and the Napoleonic Wars. The loss of this patronage after 1813 was considerable and the fall of freight-rate after the arrival of the free traders made further over-sea adventures unprofitable. What was lost, however, was largely compensated by the rapid development of internal trade. Though the inland traders still struggled under transit and town duties and the thousand and one harassments incidental to an antiquated customs system, they had benefitted as a class like the zemindars. The benefit, no doubt, could have been greater, had not the British agency houses claimed the lion's share (1) of the Indo-British trade and monopolised the indigo business and had not the indigenous cotton manufacture succumbed before the British cotton manufacture. The sale of European manufacture in the interior furnished some fillip and the names of natives like Ramrutton Mullick, Radha Madhub Bonarjee, Brajamohen Mukherjee etc. figure among its biggest purchasers. The salt business was entirely in the hands of the natives. Some of the small contracts, like the Sloop contract, fell to them. Here, as in the case of land, the bigger dealers

(1) The introduction of the agency system by Cornwallis had deprived the native traders of the Company's contracts but this loss was more nominal than real.

turned money lenders and soon had a stranglehold on Bengal's internal trade. What was worse, the rise of land value tempted them to invest in land which in its turn raised the land value further.

The primary producers were pressed between the millstone of the zemindar and the netherstone of the capitalist who advanced the expenses of production. The advance system was not the cause but the consequence of poverty and lack of capital. The Company did not originate it. It only took up an age-old practice to secure its European investment. Given free competition, there was a greater likelihood of the primary producers getting a fair remuneration for their labour at the loom or at the filature. The evils of the advance system would have been eliminated to a large extent by competition among people eager to make the advances. The Company's monopoly prevented this. The weight of its capital was enormous. More responsible than monopoly, and often injurious to it, was the right of private trade given to the Commercial Residents. They often abused the Regulation 31 of 1793 to force the weavers or the winders and the reelers of silk to accept what price they chose to give for their own private investment. The Board of Trade proceedings are full of complaints of exaction, fraud and chicanery for which the native officers were usually more to blame but in which the Europeans always acquiesced.(1) The primary producers

(1) 'Dustoorie' (Commission) taken from weavers of the Luckipore Residency amounted in 1815 to S.R. 4501. See Bengal B. of T. Proceedings 31 January 1817.

fared no better when there were middlemen between them and the Residents. The pykars and dalals, who got silk worms from the breeders or mulberry plants from the cultivators, defrauded them of their proper share of profits. More harmful was the uncertainty that hung over all transactions. The weavers were never sure whether a part of their cloths would be rejected as below the Company's prizing and the price of silk bunds was settled after reeling. This inevitably ended in the evil system of perquisites which purchased the good will of the officers concerned. Throughout the period the Committee of Warehouses went on complaining of the foulness of silk and unevenness of cloth of certain factories which is explainable in the light of these nefarious practices. A new class was emerging in society based on grafts and illegal exactions while the producers went round the vicious circle of the advance system.(1)

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(1) The scale of salaries of native officials in three of the Company's factories:-

	Benares (1813) S.R.	Coomercolly (1814) S.R.	Sardah (1821) S.R.
Dewan	100	-	-
Naib	50	-	-
Gomastah	40	50	50
Head Writer	-	45	60
Sherestadar	-	15	16
Jachendar	25	15	15
Poddar	10	-	10
Head Weaver	15	-	-
Moonshie	15	-	20
Mohurrer	8	-	8
Jemadar	10	-	10
Peon	3/8	-	-

Proceedings of Bengal Board of Trade 23 April 1813, 6 April 1821

In the case of private investment, which consisted mainly of sugar and indigo, the profits were largely shared between the agency houses and the European planters and manufacturers. Whatever was left was claimed by the gomastah, who charged the inevitable 'dustoorie', the zemindar who raised the rent and the moneylender who raised the rate of interest. The evils of advance system were most conspicuous in indigo-culture. But here again the native gomasthas should get their share of blame and the zemindars' pose as the champion of the oppressed should be disallowed, for, in their own plantations they behaved no more tenderly.

It is idle to expect the weaver, the winder or the indigo-grower to save capital out of his remuneration to free himself from this cash-nexus. Dr. Buchanan Hamilton in his sample survey of the Bengal districts put the average remuneration of

the mulberry cultivators	- Rs 5 - 12 as per month
the cocoon rearers	- Rs 3 - 8 as per md. of cocoons
the winders of silk	- Rs 7 per month
the weavers of mixed and silk goods (man and wife working)	- Rs 5 per loom per month
the weavers of cotton piece goods (man and wife and often another working)	- Rs 7 per loom per month
the hired weavers	- Rs 2 - 4 as to Rs 3 - 8 as per month
the cotton-spinners	- Rs 3 per year (1)

The Company paid no better wages to its workers.

(1)	Silk filature at Coomercolly (S.R.)	Silk filature at Radnagore (S.R.)
Spinner	4 to 5 per month	4 per month
Reeler	3 to 3/8 "	2/8 " "
Head Winder	18/- "	-
Turner	-	2/8 " "
Blacksmith	3 to 5 "	4/13 to 6 "
Carpenter	3 to 5 "	4/8 to 4/12 "

(Continued)

Footnote (1) continued from previous page.

Remuneration was higher at Hurripaul (Proceed. B.B.T. 17 September 1813) but lower at Rungpore (ibid 24 January 1814) and was calculated per seer of silk at Bauleah (ibid 21 April 1819).

Remuneration for Sundry work

	Cossimbazar	Colagore
Bricklayer	2 as per day	Rs 5 per month
Mistry	Rs 5 per month	. . .
Cooly (man)	1 a 6 pies per day	Rs 3 per month
Cooly (boy)	1 a per day	Rs 2 per month

Proceed. B.B.T. 19 March 1813, 27 November 1815.

Indigo gave nearly Rs 3 to Rs 5 per month, poppy - Rs 3 to Rs 3/8 per seer of juice, salt-manufacture - Rs 50 per 100 maunds in 1790 but Rs 80 or more in 1832 (1) and saltpetre about 14 as. per maund when the Company gave up its saltpetre monopoly. (2) The landless labourer hired himself out for domestic work at Re 1 or 8 as per month, besides food and cloth and usually a piece of land on sharecrop basis. The scales of remuneration must have increased with the free trade speculations after 1813 but the rise of prices of food and the basic necessaries of life must have kept down real wages and the depression of 1826 arrested them for the time being. (3) The primary producers were caught

(1) Rs 87/8 to the molunghees of 24 Parganas. See Sep. Consult. 11 December 1832 No. 15A.

(2) Proceed. Bengal Board of Trade. 23 September 1814.

(3) Article		Price 1797			Price 1811							Price 1832						
		Rs	as	pies	Rs	as	pies		Rs	as	pies	Rs	as	pies		Rs	as	pies
Patna rice per md.		1	7		1	8	-	to	1	12	-	2	6	-	to	3	-	-
Rice middling	"	-	12	-		x				x			x				x	
Rice common	"		-		-	12	-	to	1	-	-	1	12	-		-	-	-
Wheat	"	-	11	-	1	-	-	to	1	4	-	1	9	-	to	1	10	-
Auror dholl	"	1	12	-	1	12	-	to	2	-	-	2	8	-	to	2	12	-
Ghee	"	13	-	-	13	-	-	to	16	-	-	18	-	-	to	24	-	-
Cocoanut oil	"	12	-	-		x				x		12	-	-	to	12	8	-
Tobacco	"	3	8	-		x				x		5	-	-	to	10	-	-
Beetel nut	"	4	8	-	3	12	-	to	4	-	-	4	-	-	to	4	4	-
Sugar	"	9	-	-	8	-	-	to	8	8	-	9	12	-	to	10	-	-

Prices of 1797 taken from Calcutta Monthly Journal Vol. III.

Prices of 1811 taken from Milburn Vol. II, p. 157.

Prices of 1832 taken from Bengal Commercial Reports 1832-33.

in the whirlpool of world prices and were in arrears with the planters, the zemindars and the village money-lenders. In trying to satisfy one with money borrowed from another they enmeshed themselves more hopelessly in debt and lost more of their economic freedom.

Another factor, neglected by the historians, is the rise of population. The famine of 1770 had destroyed about a third of Bengal's population and Cornwallis refers to jungles all over Bengal in his Minute on the Permanent Settlement. An estimate of population of Bengal, Behar, Orissa and Benares in 1789, compiled by the Collectors, puts the total at 2,39,48,653.(1) In 1822 Henry Shakespeare, Superintendent of Police in the Lower Provinces, made another estimate which puts it at 3,75,03,265.(2) The increase was not as rapid as it would be in the latter half of the century and the censuses were none too reliable but, when coupled with the destruction of cotton manufacture, the rise of population must have increased some pressure on land.

This tentative survey of different classes leaves much to be desired. But the present study is not concerned with these problems. Its purpose will be served if it can clarify the obvious effects of the development of Indo-British commercial and financial relations between 1793 and 1833 on Bengalee society. These had directly led to the

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(1) R. Montgomery Martin, History of the Possessions of the Honourable East India Company 1837 Vol. I, pp. 250-51. Colebrooke estimates the population in 1804 at 27 millions. op.cit. pp. 14-15.

(2) App. 42. Report of S.C.H.C. 1831.
An estimate in 1824 puts it as 3,99,57,561.
See Alexander's East India Magazine Vol. I. p. 227.

creation of a middle class, dependent on land, the holding of public securities and inferior public office, and indirectly to the formation of a middle class, based on legal and commercial professions, though the lines of demarcation between them are not clear as the latter usually invested their earnings in land. The British rule had assured a formation of capital by establishing peace and order. The Charter of 1833 had opened the way for import of capital from England so necessary for economic development. Destruction of native manufacture and the effects of the Permanent Settlement had combined to produce a sizeable body of landless labourers. Apparently the time seemed ripe for an Industrial Revolution in Bengal under British management and with the joint resources of the British and the native capitalists which would open avenues of employment to the middle classes, divert capital from land to industry and take off the increasing pressure on land. Apparently again, the time seemed ripe for a more protectionist policy of the State which would guard the interest of that Industrial Revolution from foreign competition and the interest of the peasantry from the planter, the rentier and the money-lender. This, however, did not happen. The next Chapter of India's economic history is concerned with the sacrifice of the Indian industrial potentiality, the frustration of the middle class and the deterioration of the peasants' conditions. The causes lie implicit in the history narrated above - they lie mainly in the character of the middle class which evolved between 1793 and 1833 and the character of the economic control wielded by the British manufacturing class who, after 1833, got hold of the real power of the State.

Appendix 1.

CURRENCY

100 Current Rupees	=	86-3-4	Sicca Rupees
100 Sicca Rupees	=	116	Current Rupees
100 Arcot Rupees	=	108	Current Rupees
100 Bombay Rupees	=	110	Current Rupees

WEIGHTS AND MEASURES

1 Factory maund	=	74 lb. 10 oz. 10drs.666 dec. avoir dupois.
1 Bazar maund	=	82 lb. 2oz. 2 drs. 133 dec. avoir dupois

Appendix 2.

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